

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

FINANCIAL STATEMENTS

June 30, 2012

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

ROSTER OF SCHOOL OFFICIALS

June 30, 2012

BOARD OF EDUCATION

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TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditors' Report	
Management's Discussion and Analysis	i - iv
Basic Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Statement of Net Assets - Proprietary Fund	6
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund	7
Statement of Cash Flows - Proprietary Fund	8
Statement of Fiduciary Assets and Liabilities - Agency Fund	9
Notes to Financial Statements	10 - 20
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	21
Notes to Required Supplementary Information	22
Combining and Individual Fund Financial Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	24
Budgetary Comparison Schedule - Head Start Fund	25
Budgetary Comparison Schedule - Grants Fund	26
Budgetary Comparison Schedule - Bond Redemption Fund	27
Budgetary Comparison Schedule - Building Fund	28
Budgetary Comparison Schedule - Capital Reserve Fund	29

TABLE OF CONTENTS
(Continued)

	<u>PAGE</u>
FINANCIAL SECTION (Continued)	
Combining and Individual Fund Financial Statements and Schedules (Continued)	
Budgetary Comparison Schedule - Food Service Fund	30
Statement of Changes in Assets and Liabilities - Agency Fund	31
COMPLIANCE SECTION	
Single Audit	
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 <i>Government Auditing Standards</i>	32 - 33
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	34 - 35
Schedule of Findings and Questioned Costs	36
Independent Auditors' Report on Schedule of Expenditures of Federal Awards	37
Schedule of Expenditures of Federal Awards	38
Notes to Schedule of Expenditures of Federal Awards	39
State Compliance	
Independent Auditors' Report on Auditor's Integrity Report	40
Auditor's Integrity Report	41

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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012, 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 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.

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

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 financial statements as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Swanwick & Company LLC

December 11, 2012

Salida School District R-32-J

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2012

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, 2012. 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, 2012 the General Fund fund balance increased by \$483,440.

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 \$8,894,055 and total revenue for the year was \$9,815,495.

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

Net assets may serve over time as a useful indicator of the District's financial position. For the year ended June 30, 2012, the District's combined assets exceeded liabilities by \$23,435,122. Of this amount \$3,183,503 is unrestricted and is available to meet the District's ongoing financial obligations. \$18,272,588 is invested in capital assets net of related debt. In addition, \$139,939 is restricted for Colorado Preschool and Salida Head Start; \$1,545,092 is restricted for debt service; and \$294,000 is restricted for emergencies under TABOR.

Statement of net assets

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2010-2011	2011-2012	2010-2011	2011-2012
ASSETS				
Current Assets	\$ 25,374,650	\$45,608,210	\$96,821	\$35,038
Capital Assets, Net of Accumulated Depreciation	<u>9,330,999</u>	<u>6,747,123</u>	<u>2,278</u>	<u>1,519</u>
TOTAL ASSETS	<u>\$34,705,649</u>	<u>\$52,355,333</u>	<u>\$99,099</u>	<u>\$36,557</u>
LIABILITIES				
Current Liabilities	1,925,960	7,708,983	41,810	20,542
NonCurrent Liabilities	<u>22,513,245</u>	<u>\$21,224,719</u>	<u>9,454</u>	<u>2,524</u>
TOTAL LIABILITIES	<u>24,439,205</u>	<u>\$28,933,702</u>	<u>51,264</u>	<u>\$23,066</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,884,455	18,271,069	2,278	1,519
Restricted	1,896,661	1,979,031		
Unrestricted	<u>2,485,328</u>	<u>3,171,531</u>	<u>45,557</u>	<u>11,972</u>
TOTAL NET ASSETS	<u>\$10,266,444</u>	<u>\$23,421,631</u>	<u>\$47,835</u>	<u>\$13,491</u>

Governmental activities increased the Salida School District's net assets by \$13,155,187. The near completion of the BEST grant to build a new High School is the contributing factor to the increase. Business-type activities decreased the net assets by \$34,344, which was due to the District changing from a 5 day school week to a 4 day school week.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2010-2011	2011-2012	2010-2011	2011-2012
Program revenues:				
Charges for service	\$ 52,664	\$ 36,000	\$131,757	\$102,894
Operating grants & contributions	2,446,861	2,174,194	270,330	188,283
Capital Grants & contributions	2,395,314	11,338,886	-	-
General revenues:				
Property Taxes	6,430,023	6,641,251	-	-
Specific ownership taxes	550,361	557,099	-	-
State equalization	3,541,876	3,742,036	-	-
Other revenues	708,816	351,006	-	-
Earnings on Investments	<u>30,738</u>	<u>5,680</u>	<u>20</u>	<u>21</u>
TOTAL REVENUES	<u>\$16,156,653</u>	<u>\$24,846,152</u>	<u>\$402,107</u>	<u>\$291,198</u>
Expenses:				
Instruction	6,460,334	6,196,879	-	-
Supporting Services	4,896,063	4,587,408	-	-
Interest and Fiscal Charges	571,836	870,529	-	-
Food Service	-	-	<u>467,829</u>	<u>361,691</u>
TOTAL EXPENSES	<u>\$11,928,233</u>	<u>\$11,654,816</u>	<u>\$467,829</u>	<u>\$361,691</u>
TRANSFERS	<u>(75,000)</u>	<u>(36,149)</u>	<u>75,000</u>	<u>36,149</u>
CHANGE IN NET ASSETS	4,153,420	13,155,187	9,278	(34,344)
NET ASSETS, Beginning	<u>6,113,024</u>	<u>10,266,444</u>	<u>38,557</u>	<u>47,835</u>
NET ASSETS, Ending	<u>\$10,266,444</u>	<u>\$23,421,631</u>	<u>\$ 47,835</u>	<u>\$13,491</u>

The most significant change from last year was the BEST money to construct a new High School and moving from a five (5) day school week to a four (4) day school week.

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 \$12,722,759: General Fund \$3,755,679; Building Fund \$6,979,060 and Other Governmental Funds \$1,988,020. This was a decrease of \$10,360,725 from the previous fiscal year primarily for the construction of a new high school.

Enterprise Fund. The District Food Service Fund ended the current fiscal year with net assets of \$13,491, which is a decrease of \$34,344 from the previous year. The Food Service Fund saw a decrease in revenue and expenditures due to the District moving from a 5 day week to a 4 day week; a decrease in donated commodities; the General Fund decreased the subsidy to \$36,149, a decrease of \$38,851 from the previous year. The Food Service Fund also implemented a Garden to Table Project this year providing fresh vegetables to the students with plans of expanding the following year.

General Fund Budgetary Highlights

General Fund revenues and other financing sources budgeted were 9,448,193 and actual revenues were \$9,815,582. The District budgeted for General Fund expenditures and transfers out of \$9,650,997, for the year ended June 30, 2012. Actual expenditures and transfer out were \$9,332,142. Major highlights between budgeted and actual were Specific Ownership taxes were higher than budgeted; received Medicaid Cost Containment from audit of 2010-11; substitute and sick leave pay came in under budget from going to a four (4) day week; utility costs were under budget due to older buildings being torn down or not used because of the construction of the new high school; and Workman's Compensation under budget due to awareness from safety meetings.

Capital Assets

The year ended June 30, 2012 with significant capital asset activity to included the District purchasing two (2) vehicles, a suburban and a car, for a combined total of \$50,000; and construction on the new high school was on track and was completed for faculty and students to start a new school year in the fall semester 2012 with a current cost of \$22,321,627. Please see note 3 in the financial statement for more information.

Long-Term Debt

As of June 30, 2012 the Salida School District R-32-J had long-term debt of \$21,224,719. The District reduced its total long term debt by \$1,288,526 during the year ended June 30, 2012. Please see note 4 in the financial statement 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 2011-2012 school year was 1069.2. The funded pupil count for the 2012-2013 school year is 1086.1. This factor was considered in preparing the District's budget for 2012-2013.

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, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 6,164,986	\$ 32,259	\$ 6,197,245
Restricted Cash and Investments	13,672,015	-	13,672,015
Accounts Receivable	95,205	-	95,205
Taxes Receivable	823,694	-	823,694
Grants Receivable	79,434	-	79,434
Inventories	-	2,779	2,779
Bond Issuance Costs, Net of Accumulated Amortization	26,206	-	26,206
Capital Assets, Not Being Depreciated	24,746,670	-	24,746,670
Capital Assets, Net of Accumulated Depreciation	<u>6,747,123</u>	<u>1,519</u>	<u>6,748,642</u>
TOTAL ASSETS	<u>52,355,333</u>	<u>36,557</u>	<u>52,391,890</u>
LIABILITIES			
Accounts Payable	5,706,684	-	5,706,684
Retainage Payable	1,035,528	-	1,035,528
Accrued Salaries and Benefits	879,198	19,898	899,096
Deferred Revenues	18,849	-	18,849
Accrued Interest Payable	68,724	-	68,724
Noncurrent Liabilities			
Due Within One Year	1,261,595	644	1,262,239
Due in More Than One Year	<u>19,963,124</u>	<u>2,524</u>	<u>19,965,648</u>
TOTAL LIABILITIES	<u>28,933,702</u>	<u>23,066</u>	<u>28,956,768</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	18,271,069	1,519	18,272,588
Restricted for Preschool	24,741	-	24,741
Restricted for Emergencies	294,000	-	294,000
Restricted for Head Start	115,198	-	115,198
Restricted for Debt Service	1,545,092	-	1,545,092
Unrestricted	<u>3,171,531</u>	<u>11,972</u>	<u>3,183,503</u>
TOTAL NET ASSETS	<u>\$ 23,421,631</u>	<u>\$ 13,491</u>	<u>\$ 23,435,122</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, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 6,196,879	\$ 36,000	\$ 1,251,879	\$ -
Supporting Services	4,587,408	-	922,315	11,338,886
Interest and Fiscal Charges	870,529	-	-	-
Total Governmental Activities	11,654,816	36,000	2,174,194	11,338,886
Business-Type Activities				
Food Service	361,691	102,894	188,283	-
Total Business-Type Activities	361,691	102,894	188,283	-
TOTAL PRIMARY GOVERNMENT	\$ 12,016,507	\$ 138,894	\$ 2,362,477	\$ 11,338,886

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
\$ (4,909,000)	\$ -	\$ (4,909,000)
7,673,793	-	7,673,793
<u>(870,529)</u>	<u>-</u>	<u>(870,529)</u>
 1,894,264	 -	 1,894,264
 -	 (70,514)	 (70,514)
 -	 (70,514)	 (70,514)
 <u>1,894,264</u>	 <u>(70,514)</u>	 <u>1,823,750</u>
 6,641,251	 -	 6,641,251
557,099	-	557,099
3,742,036	-	3,742,036
213,450	-	213,450
5,680	21	5,701
137,556	-	137,556
<u>(36,149)</u>	<u>36,149</u>	<u>-</u>
 <u>11,260,923</u>	 <u>36,170</u>	 <u>11,297,093</u>
 13,155,187	 (34,344)	 13,120,843
 <u>10,266,444</u>	 <u>47,835</u>	 <u>10,314,279</u>
\$ <u><u>23,421,631</u></u>	\$ <u><u>13,491</u></u>	\$ <u><u>23,435,122</u></u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>GENERAL</u>	<u>BUILDING</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
ASSETS				
Cash and Investments	\$ 4,246,719	\$ -	\$ 1,918,267	\$ 6,164,986
Restricted Cash and Investments	-	13,672,015	-	13,672,015
Accounts Receivable	95,205	-	-	95,205
Taxes Receivable	583,420	-	240,274	823,694
Grants Receivable	42,709	-	36,725	79,434
TOTAL ASSETS	<u>\$ 4,968,053</u>	<u>\$ 13,672,015</u>	<u>\$ 2,195,266</u>	<u>\$ 20,835,334</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 34,745	\$ 5,657,427	\$ 14,512	\$ 5,706,684
Retainage Payable	-	1,035,528	-	1,035,528
Accrued Salaries and Benefits	851,727	-	27,471	879,198
Deferred Revenues	325,902	-	165,263	491,165
TOTAL LIABILITIES	<u>1,212,374</u>	<u>6,692,955</u>	<u>207,246</u>	<u>8,112,575</u>
FUND BALANCES				
Restricted for Preschool	24,741	-	-	24,741
Restricted for Emergencies	294,000	-	-	294,000
Restricted for Capital Projects	-	6,979,060	-	6,979,060
Restricted for Head Start	-	-	115,198	115,198
Restricted for Debt Service	-	-	1,467,402	1,467,402
Assigned to Grant Programs	-	-	47,752	47,752
Assigned to Capital Projects	-	-	357,668	357,668
Unrestricted, Unassigned	3,436,938	-	-	3,436,938
TOTAL FUND BALANCES	<u>3,755,679</u>	<u>6,979,060</u>	<u>1,988,020</u>	<u>12,722,759</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,968,053</u>	<u>\$ 13,672,015</u>	<u>\$ 2,195,266</u>	<u>\$ 20,835,334</u>

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

Total Fund Balances of Governmental Funds	\$ 12,722,759
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,493,793
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.	472,316
Long-term liabilities and related items, including bonds (\$20,360,352), bond premium (\$29,400), deferred amount on refunding \$161,762, compensated absences (\$295,992), severance (\$700,737), accrued interest payable (\$68,724) and bond issuance costs \$26,206, are not due and payable in the current year and, therefore, are not reported in the funds.	<u>(21,267,237)</u>
Total Net Assets of Governmental Activities	<u>\$ 23,421,631</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, 2012

	<u>GENERAL</u>	<u>BUILDING</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
REVENUES				
Local Sources	\$ 5,509,279	\$ -	\$ 2,033,932	\$ 7,543,211
County Sources	206,501	-	-	206,501
State Sources	3,993,722	11,338,886	85,303	15,417,911
Federal Sources	106,080	-	1,507,272	1,613,352
	<u>9,815,582</u>	<u>11,338,886</u>	<u>3,626,507</u>	<u>24,780,975</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Instruction	5,642,974	-	619,672	6,262,646
Supporting Services	3,216,766	-	1,096,535	4,313,301
Capital Outlay	-	22,321,627	122,736	22,444,363
Debt Service				
Principal	131,541	-	1,101,449	1,232,990
Interest and Fiscal Charges	6,486	-	845,765	852,251
	<u>8,997,767</u>	<u>22,321,627</u>	<u>3,786,157</u>	<u>35,105,551</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>817,815</u>	<u>(10,982,741)</u>	<u>(159,650)</u>	<u>(10,324,576)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	298,226	298,226
Transfers Out	(334,375)	-	-	(334,375)
	<u>(334,375)</u>	<u>-</u>	<u>298,226</u>	<u>(36,149)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	483,440	(10,982,741)	138,576	(10,360,725)
FUND BALANCES, Beginning	<u>3,272,239</u>	<u>17,961,801</u>	<u>1,849,444</u>	<u>23,083,484</u>
FUND BALANCES, Ending	<u>\$ 3,755,679</u>	<u>\$ 6,979,060</u>	<u>\$ 1,988,020</u>	<u>\$ 12,722,759</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, 2012

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

Net Change in Fund Balances of Governmental Funds	\$ (10,360,725)
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 \$22,371,627 exceeded depreciation expense (\$208,833) in the current year.	22,162,794
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.	65,177
Repayments of bond principal \$1,101,449 and capital lease payments \$131,541 are expenditures in governmental funds but reduce long-term liabilities in the statement of net assets and do not affect the statement of activities.	1,232,990
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 (\$2,356), severance \$79,953, and accrued interest payable \$3,783.	81,380
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).	(26,429)
Change in Net Assets of Governmental Activities	\$ <u>13,155,187</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, 2012

	<u>FOOD SERVICE</u>
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 32,259
Inventories	<u>2,779</u>
Total Current Assets	35,038
NONCURRENT ASSETS	
Capital Assets, Net of Accumulated Depreciation	<u>1,519</u>
TOTAL ASSETS	<u>36,557</u>
LIABILITIES	
CURRENT LIABILITIES	
Accrued Salaries and Benefits	19,898
Accrued Compensated Absences, Current Portion	<u>644</u>
Total Current Liabilities	20,542
LONG-TERM LIABILITIES	
Accrued Compensated Absences	<u>2,524</u>
TOTAL LIABILITIES	<u>23,066</u>
NET ASSETS	
Invested in Capital Assets	1,519
Unrestricted	<u>11,972</u>
TOTAL NET ASSETS	<u>\$ 13,491</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, 2012

	<u>FOOD SERVICE</u>
OPERATING REVENUES	
Charges for Services	
Student Lunches	\$ <u>102,894</u>
OPERATING EXPENSES	
Salaries	125,372
Employee Benefits	44,661
Commodities	17,670
Supplies and Materials	158,443
Property	1,473
Depreciation	759
Other	<u>13,313</u>
TOTAL OPERATING EXPENSES	<u>361,691</u>
OPERATING INCOME (LOSS)	<u>(258,797)</u>
NONOPERATING INCOME	
Federal Sources	
School Breakfast and Lunch Program	165,052
Donated Commodities	17,670
State Sources	5,561
Investment Income	<u>21</u>
TOTAL NONOPERATING INCOME	<u>188,304</u>
NET INCOME (LOSS) BEFORE TRANSFERS	(70,493)
Transfers In	<u>36,149</u>
CHANGE IN NET ASSETS	(34,344)
NET ASSETS, Beginning	<u>47,835</u>
NET ASSETS, Ending	\$ <u><u>13,491</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, 2012

	<u>FOOD SERVICE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Sale of Meals	\$ 102,894
Cash Paid to Suppliers	(179,741)
Cash Paid to Employees	<u>(181,362)</u>
Net Cash Used for Operating Activities	<u>(258,209)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received from Federal and State Grants	171,660
Cash Received from Other Funds	<u>36,149</u>
Net Cash Provided by Noncapital Financing Activities	<u>207,809</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Interest Received	<u>21</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(50,379)
CASH AND CASH EQUIVALENTS, Beginning	<u>82,638</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 32,259</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (258,797)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation Expense	759
Donated Commodities	17,670
Changes in Assets and Liabilities	
Inventories	10,357
Accounts Payable	(16,869)
Accrued Salaries and Benefits	<u>(11,329)</u>
Net Cash Used for Operating Activities	<u>\$ (258,209)</u>
NON-CASH ACTIVITIES	
Commodities Received	<u>\$ 17,670</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, 2012

	<u>PUPIL ACTIVITY</u>
ASSETS	
Cash and Investments	\$ <u>578,964</u>
LIABILITIES	
Held for Student Scholarships	390,195
Due to Student Groups	<u>188,769</u>
TOTAL LIABILITIES	\$ <u><u>578,964</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2012

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 - 50 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 as current financial resources are 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

These compensated absences are recognized as current salary costs when earned 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. 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, 2012

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2012, consisted of the following:

Cash	\$ 125
Deposits	2,377,958
Investments	4,398,126
Cash and Investments Held by Third Party	<u>13,672,015</u>
Total	<u>\$ 20,448,224</u>

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

Cash and Investments	\$ 6,197,245
Restricted Cash and Investments	13,672,015
Fiduciary Fund Cash and Investments	<u>578,964</u>
Total	<u>\$ 20,448,224</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, 2012, the District had bank deposits of \$1,915,604 collateralized with securities held by the financial institution's agent 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 the investment for a period in excess of five years.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2012, the District had \$39,934 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, except for corporate securities.

Local Government Investment Pools - At June 30, 2012, the District had \$189,250 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), and \$4,168,942 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.

Restricted Cash and Investments

At June 30, 2012, the District had debt proceeds of \$13,672,015 held by the trustee of the Building Excellent Schools Today program (See Note 4).

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land and Sites	\$ 557,150	\$ -	\$ -	\$ 557,150
Construction in Progress	<u>1,867,893</u>	<u>22,321,627</u>	<u>-</u>	<u>24,189,520</u>
Total Capital Assets, Not Being Depreciated	<u>2,425,043</u>	<u>22,321,627</u>	<u>-</u>	<u>24,746,670</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	10,592,451	-	-	10,592,451
Transportation Equipment	581,143	50,000	27,500	603,643
Other Equipment	<u>552,047</u>	<u>-</u>	<u>-</u>	<u>552,047</u>
Total Capital Assets, Being Depreciated	<u>11,725,641</u>	<u>50,000</u>	<u>27,500</u>	<u>11,748,141</u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 3: CAPITAL ASSETS (Continued)

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Governmental Activities (Continued)				
Less Accumulated Depreciation				
Buildings and Improvements	(3,899,938)	(192,180)	-	(4,092,118)
Transportation Equipment	(466,929)	(10,380)	27,500	(449,809)
Other Equipment	(452,818)	(6,273)	-	(459,091)
Total Accumulated Depreciation	<u>(4,819,685)</u>	<u>(208,833)</u>	<u>27,500</u>	<u>(5,001,018)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,905,956</u>	<u>(153,833)</u>	<u>-</u>	<u>6,747,123</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,330,999</u>	<u>\$ 22,162,794</u>	<u>\$ -</u>	<u>\$ 31,493,793</u>
Business-Type Activities				
Capital Assets, Being Depreciated				
Equipment	\$ 27,893	\$ -	\$ -	\$ 27,893
Accumulated Depreciation	<u>(25,615)</u>	<u>(759)</u>	<u>-</u>	<u>(26,374)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,278</u>	<u>\$ (759)</u>	<u>\$ -</u>	<u>\$ 1,519</u>

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

Governmental Activities		
Instruction		\$ 11,830
Supporting Services		<u>197,003</u>
Total		<u>\$ 208,833</u>

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2012.

	Balance 6/30/11	Additions	Payments	Balance 6/30/12	Due Within One Year
Governmental Activities					
2010 General Obligation Debt	\$ 17,961,801	\$ -	\$ 626,449	\$ 17,335,352	\$ 621,471
2004 General Obligation Bonds	3,500,000	-	475,000	3,025,000	500,000
Bond Premium	34,300	-	4,900	29,400	-
Deferred Amount on Refunding	(188,723)	-	(26,961)	(161,762)	-
Capital Leases	131,541	-	131,541	-	-
Compensated Absences	293,636	48,490	46,134	295,992	60,171
Severance	<u>780,690</u>	<u>-</u>	<u>79,953</u>	<u>700,737</u>	<u>79,953</u>
Total	<u>\$ 22,513,245</u>	<u>\$ 48,490</u>	<u>\$ 1,337,016</u>	<u>\$ 21,224,719</u>	<u>\$ 1,261,595</u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 of Colorado'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>
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	729,328	584,886	1,314,214
2018 - 2022	4,118,271	2,443,172	6,561,443
2023 - 2027	5,030,291	1,512,539	6,542,830
2028 - 2031	<u>4,815,184</u>	<u>402,938</u>	<u>5,218,122</u>
Total	<u>\$ 17,335,352</u>	<u>\$ 7,563,728</u>	<u>\$ 24,899,080</u>

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>
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	570,000	26,044	596,044
2018	<u>375,000</u>	<u>7,500</u>	<u>382,500</u>
Total	<u>\$ 3,025,000</u>	<u>\$ 345,945</u>	<u>\$ 3,370,945</u>

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, were due in June, through 2012. The lease was paid in full during the year ended June 30, 2012.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 4: LONG-TERM DEBT (Continued)

Compensated Absences and Severance

Payments to maturity for the severance obligation are as follows:

Year Ended June 30,

2013	\$ 79,953
2014	82,872
2015	79,952
2016	79,952
2017	77,964
2018 - 2021	<u>300,044</u>
Total	<u>\$ 700,737</u>

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

NOTE 5: INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2012, were comprised of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Food Service	General	\$ 36,149
Head Start	General	96,101
Capital Reserve	General	<u>202,125</u>
Total		<u>\$ 334,375</u>

Annually, the General Fund subsidizes the operations of the Food Service Fund. The General Fund provided a portion of its property taxes to the Head Start Fund to improve salaries and benefits for educational programs. During the year ended June 30, 2012, the General Fund transferred certain amounts to the Capital Reserve Fund, primarily for the acquisition of vehicles and equipment.

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, 2012, the District contributed \$48,185 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, 2012

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 2010, 2011 and 2012 was 13.85%, 14.75% and 15.65% 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, 2012, 2011 and 2010 were \$860,378, \$816,319 and \$783,964, 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, 2012, 2011 and 2010 was \$57,704, \$58,218 and \$59,655, 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, 2012, 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, 2012

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 \$294,000 at June 30, 2012. This reserve is reported as restricted 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, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 4,078,238	\$ 4,498,462	\$ 4,594,920	\$ 96,458
Specific Ownership Taxes	375,000	425,000	557,099	132,099
Tuition	30,600	30,600	36,000	5,400
Investment Income	16,495	16,495	3,015	(13,480)
BOCES Reimbursement	-	171,061	180,689	9,628
Other	65,700	53,251	137,556	84,305
Total Local Sources	<u>4,566,033</u>	<u>5,194,869</u>	<u>5,509,279</u>	<u>314,410</u>
County Sources	<u>312,034</u>	<u>212,034</u>	<u>206,501</u>	<u>(5,533)</u>
State Sources				
State Equalization	3,953,914	3,749,050	3,742,036	(7,014)
Exceptional Children's Education Act (ECEA)	165,000	173,806	177,497	3,691
English Language Proficiency Act (ELPA)	1,067	1,067	2,051	984
Transportation	36,400	44,114	29,848	(14,266)
Other	11,000	50,253	42,290	(7,963)
Total State Sources	<u>4,167,381</u>	<u>4,018,290</u>	<u>3,993,722</u>	<u>(24,568)</u>
Federal Sources				
Medicaid	<u>204,100</u>	<u>23,000</u>	<u>106,080</u>	<u>83,080</u>
TOTAL REVENUES	<u>9,249,548</u>	<u>9,448,193</u>	<u>9,815,582</u>	<u>367,389</u>
EXPENDITURES				
Instruction	5,739,536	5,699,797	5,642,974	56,823
Supporting Services				
Students	361,272	356,433	359,753	(3,320)
Instructional Staff	238,431	252,871	258,396	(5,525)
General Administration	474,776	494,884	474,093	20,791
School Administration	504,323	555,360	558,080	(2,720)
Business Services	136,894	138,853	135,598	3,255
Operations and Maintenance	980,964	993,102	922,835	70,267
Student Transportation	321,146	323,064	280,446	42,618
Central Support	219,803	191,872	171,012	20,860
Other Support	90,579	75,579	56,553	19,026
Debt Service	138,027	138,027	138,027	-
Reserves	-	60,980	-	60,980
TOTAL EXPENDITURES	<u>9,205,751</u>	<u>9,280,822</u>	<u>8,997,767</u>	<u>283,055</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	43,797	167,371	817,815	650,444
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(132,550)</u>	<u>(370,175)</u>	<u>(334,375)</u>	<u>35,800</u>
NET CHANGE IN FUND BALANCE	(88,753)	(202,804)	483,440	686,244
FUND BALANCE, Beginning	<u>2,512,208</u>	<u>3,272,239</u>	<u>3,272,239</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 2,423,455</u>	<u>\$ 3,069,435</u>	<u>\$ 3,755,679</u>	<u>\$ 686,244</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

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.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

SALIDA SCHOOL DISTRICT NUMBER R-32-J

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012

	<u>HEAD START</u>	<u>GRANTS</u>	<u>BOND REDEMPTION</u>	<u>CAPITAL RESERVE</u>	<u>TOTAL</u>
ASSETS					
Cash and Investments	\$ 117,342	\$ 55,203	\$ 1,373,542	\$ 372,180	\$ 1,918,267
Taxes Receivable	-	-	240,274	-	240,274
Grants Receivable	7,076	29,649	-	-	36,725
TOTAL ASSETS	\$ 124,418	\$ 84,852	\$ 1,613,816	\$ 372,180	\$ 2,195,266
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ 14,512	\$ 14,512
Accrued Salaries and Benefits	-	27,471	-	-	27,471
Deferred Revenues	9,220	9,629	146,414	-	165,263
TOTAL LIABILITIES	9,220	37,100	146,414	14,512	207,246
FUND BALANCES					
Restricted for Head Start	115,198	-	-	-	115,198
Restricted for Debt Service	-	-	1,467,402	-	1,467,402
Assigned to Grant Programs	-	47,752	-	-	47,752
Assigned to Capital Projects	-	-	-	357,668	357,668
TOTAL FUND BALANCES	115,198	47,752	1,467,402	357,668	1,988,020
TOTAL LIABILITIES AND FUND BALANCES	\$ 124,418	\$ 84,852	\$ 1,613,816	\$ 372,180	\$ 2,195,266

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, 2012

	<u>HEAD START</u>	<u>GRANTS</u>	<u>BOND REDEMPTION</u>	<u>CAPITAL RESERVE</u>	<u>TOTAL</u>
REVENUES					
Local Sources	\$ 46,250	\$ 3,863	\$ 1,982,076	\$ 1,743	\$ 2,033,932
State Sources	-	85,303	-	-	85,303
Federal Sources	<u>1,085,364</u>	<u>421,908</u>	<u>-</u>	<u>-</u>	<u>1,507,272</u>
TOTAL REVENUES	<u>1,131,614</u>	<u>511,074</u>	<u>1,982,076</u>	<u>1,743</u>	<u>3,626,507</u>
EXPENDITURES					
Current					
Instruction	252,169	367,503	-	-	619,672
Supporting Services	945,607	150,928	-	-	1,096,535
Capital Outlay	-	-	-	122,736	122,736
Debt Service					
Principal	-	-	1,101,449	-	1,101,449
Interest and Fiscal Charges	<u>-</u>	<u>-</u>	<u>845,765</u>	<u>-</u>	<u>845,765</u>
TOTAL EXPENDITURES	<u>1,197,776</u>	<u>518,431</u>	<u>1,947,214</u>	<u>122,736</u>	<u>3,786,157</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(66,162)	(7,357)	34,862	(120,993)	(159,650)
OTHER FINANCING SOURCES					
Transfers In	<u>96,101</u>	<u>-</u>	<u>-</u>	<u>202,125</u>	<u>298,226</u>
NET CHANGE IN FUND BALANCES	29,939	(7,357)	34,862	81,132	138,576
FUND BALANCES, Beginning	<u>85,259</u>	<u>55,109</u>	<u>1,432,540</u>	<u>276,536</u>	<u>1,849,444</u>
FUND BALANCES, Ending	<u>\$ 115,198</u>	<u>\$ 47,752</u>	<u>\$ 1,467,402</u>	<u>\$ 357,668</u>	<u>\$ 1,988,020</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

HEAD START FUND

Year Ended June 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Grants	\$ 84,707	\$ 27,355	\$ 46,250	\$ 18,895
Investment Income	147	147	-	(147)
Federal Sources				
Grants	<u>370,269</u>	<u>1,184,074</u>	<u>1,085,364</u>	<u>(98,710)</u>
TOTAL REVENUES	<u>455,123</u>	<u>1,211,576</u>	<u>1,131,614</u>	<u>(79,962)</u>
EXPENDITURES				
Instruction				
Salaries	271,979	390,224	167,137	223,087
Employee Benefits	71,984	100,691	51,599	49,092
Purchased Services	192,797	719,972	-	719,972
Supplies and Materials	14,464	21,790	33,433	(11,643)
Total Instruction	<u>551,224</u>	<u>1,232,677</u>	<u>252,169</u>	<u>980,508</u>
Supporting Services				
Salaries	-	66,654	366,962	(300,308)
Employee Benefits	-	16,562	85,033	(68,471)
Purchased Services	-	1,949	418,047	(416,098)
Supplies and Materials	-	-	72,330	(72,330)
Other	-	-	3,235	(3,235)
Total Supporting Services	<u>-</u>	<u>85,165</u>	<u>945,607</u>	<u>(860,442)</u>
TOTAL EXPENDITURES	<u>551,224</u>	<u>1,317,842</u>	<u>1,197,776</u>	<u>120,066</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(96,101)</u>	<u>(106,266)</u>	<u>(66,162)</u>	<u>40,104</u>
OTHER FINANCING SOURCES				
Transfers In	<u>96,101</u>	<u>96,101</u>	<u>96,101</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(10,165)</u>	<u>29,939</u>	<u>40,104</u>
FUND BALANCE, Beginning	<u>70,473</u>	<u>85,259</u>	<u>85,259</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 70,473</u>	<u>\$ 75,094</u>	<u>\$ 115,198</u>	<u>\$ 40,104</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

GRANTS FUND

Year Ended June 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources	\$ -	\$ -	\$ 3,863	\$ 3,863
State Grants	89,740	67,578	85,303	17,725
Federal Grants	994,755	452,631	421,908	(30,723)
TOTAL REVENUES	<u>1,084,495</u>	<u>520,209</u>	<u>511,074</u>	<u>(9,135)</u>
EXPENDITURES				
Instruction				
Salaries	237,145	84,853	85,071	(218)
Employee Benefits	66,356	32,888	36,359	(3,471)
Purchased Services	353,128	18,402	14,302	4,100
Supplies and Materials	33,699	26,724	18,043	8,681
Other	242,427	211,066	213,728	(2,662)
Total Instruction	<u>932,755</u>	<u>373,933</u>	<u>367,503</u>	<u>6,430</u>
Supporting Services				
Salaries	109,673	101,663	92,931	8,732
Employee Benefits	27,719	26,646	24,035	2,611
Purchased Services	5,715	12,004	13,528	(1,524)
Supplies and Materials	3,442	20,149	15,375	4,774
Property	5,000	10,400	4,852	5,548
Other	100	-	207	(207)
Total Supporting Services	<u>151,649</u>	<u>170,862</u>	<u>150,928</u>	<u>19,934</u>
TOTAL EXPENDITURES	<u>1,084,404</u>	<u>544,795</u>	<u>518,431</u>	<u>26,364</u>
NET CHANGE IN FUND BALANCE	91	(24,586)	(7,357)	17,229
FUND BALANCE, Beginning	<u>138,404</u>	<u>55,109</u>	<u>55,109</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 138,495</u>	<u>\$ 30,523</u>	<u>\$ 47,752</u>	<u>\$ 17,229</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE
BOND REDEMPTION FUND
 Year Ended June 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Property Taxes	\$ 1,946,138	\$ 1,946,138	\$ 1,981,154	\$ 35,016
Investment Income	<u>2,000</u>	<u>2,000</u>	<u>922</u>	<u>(1,078)</u>
TOTAL REVENUES	<u>1,948,138</u>	<u>1,948,138</u>	<u>1,982,076</u>	<u>33,938</u>
EXPENDITURES				
Debt Service				
Principal	1,472,214	1,101,449	1,101,449	-
Interest and Fiscal Charges	<u>475,300</u>	<u>846,065</u>	<u>845,765</u>	<u>300</u>
TOTAL EXPENDITURES	<u>1,947,514</u>	<u>1,947,514</u>	<u>1,947,214</u>	<u>300</u>
NET CHANGE IN FUND BALANCE	624	624	34,862	34,238
FUND BALANCE, Beginning	<u>560,055</u>	<u>1,432,540</u>	<u>1,432,540</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 560,679</u>	<u>\$ 1,433,164</u>	<u>\$ 1,467,402</u>	<u>\$ 34,238</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE
BUILDING FUND
 Year Ended June 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
State Sources				
State Grants	\$ 30,529,972	\$ 12,128,668	\$ 11,338,886	\$ (789,782)
EXPENDITURES				
Capital Outlay	30,529,972	30,090,469	22,321,627	7,768,842
NET CHANGE IN FUND BALANCE	-	(17,961,801)	(10,982,741)	6,979,060
FUND BALANCE, Beginning	-	17,961,801	17,961,801	-
FUND BALANCE, Ending	\$ -	\$ -	\$ 6,979,060	\$ 6,979,060

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
 Year Ended June 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Investment Income	\$ 3,902	\$ 3,902	\$ 1,743	\$ (2,159)
EXPENDITURES				
Capital Outlay				
Buildings and Improvements	19,500	48,000	21,032	26,968
Equipment	23,902	223,077	101,704	121,373
TOTAL EXPENDITURES	43,402	271,077	122,736	148,341
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(39,500)	(267,175)	(120,993)	146,182
OTHER FINANCING SOURCES				
Transfers In	-	237,625	202,125	(35,500)
NET CHANGE IN FUND BALANCE	(39,500)	(29,550)	81,132	110,682
FUND BALANCE, Beginning	343,557	276,536	276,536	-
FUND BALANCE, Ending	\$ 304,057	\$ 246,986	\$ 357,668	\$ 110,682

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

FOOD SERVICE FUND

Year Ended June 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
OPERATING REVENUES				
Charges for Services				
Student Lunches	\$ 127,910	\$ 126,910	\$ 102,894	\$ (24,016)
Federal Sources				
School Breakfast and Lunch Program	224,000	224,000	165,052	(58,948)
Donated Commodities	18,000	18,000	17,670	(330)
State Grants	3,200	3,200	5,561	2,361
Investment Income	15	15	21	6
Transfers In	36,449	36,449	36,149	(300)
	<u>409,574</u>	<u>408,574</u>	<u>327,347</u>	<u>(81,227)</u>
OPERATING EXPENSES				
Salaries	127,997	129,838	125,372	4,466
Employee Benefits	61,841	61,224	44,661	16,563
Commodities	18,000	18,000	17,670	330
Supplies and Materials	195,536	189,536	158,443	31,093
Property	-	6,000	1,473	4,527
Other	6,200	6,200	13,313	(7,113)
	<u>409,574</u>	<u>410,798</u>	<u>360,932</u>	<u>49,866</u>
CHANGE IN NET ASSETS, Budgetary Basis	\$ <u>-</u>	\$ <u>(2,224)</u>	(33,585)	\$ <u>(31,361)</u>
ADJUSTMENTS TO GAAP BASIS				
Depreciation			<u>(759)</u>	
CHANGE IN NET ASSETS, GAAP Basis			(34,344)	
NET ASSETS, Beginning			<u>47,835</u>	
NET ASSETS, Ending			<u>\$ 13,491</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, 2012

	<u>BALANCE</u> 6/30/11	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6/30/12
Pupil Activity Fund				
ASSETS				
Cash	\$ <u>534,332</u>	\$ <u>350,053</u>	\$ <u>305,421</u>	\$ <u>578,964</u>
LIABILITIES				
Held for Student Scholarships	398,066	5,654	13,525	390,195
Due to Student Groups	<u>136,266</u>	<u>344,399</u>	<u>291,896</u>	<u>188,769</u>
	\$ <u>534,332</u>	\$ <u>350,053</u>	\$ <u>305,421</u>	\$ <u>578,964</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, 2012, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, and have issued our report thereon dated December 11, 2012. 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 11, 2012.

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.

Swanlund & Company LLC

December 11, 2012



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, 2012. 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, 2012.

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.

Swanlund & Company, LLC

December 11, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

• Material weaknesses identified? _____ yes no

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

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

• Material weaknesses identified? _____ yes no

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes no

Identification of major programs:

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? 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, 2012, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, and have issued our report thereon dated December 11, 2012, which contained an unqualified opinion on those financial statements. The financial statements are the responsibility of the Salida School District Number R-32-J's management. Our responsibility is to express opinions on the 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 purpose of forming opinions on the financial statements that collectively comprise the Salida School District Number R-32-J's financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

December 11, 2012

SALIDA SCHOOL DISTRICT NUMBER R-32-J

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Disbursements
U.S. Department of Education			
Passed through Colorado Department of Education			
Title I	4010	84.010	\$ 210,490
ARRA - Title 1	4389	84.389	3,090
Education Technology	4318	84.318	1,999
ARRA - Education Technology	4386	84.386	237
English Language Acquisition	7365	84.365	4,489
Improving Teacher Quality	4367	84.367	60,674
Education Jobs Fund	4410	84.410	6,949
Passed through Colorado Department of Human Services			
Vocational Rehabilitation		84.126	60,830
Passed through Colorado Community College System			
Tech Prep Education		84.243	<u>12,170</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>360,928</u>
U.S. Department of Agriculture			
Passed through Colorado Department of Human Services			
Donated Commodities		10.555	17,670
Passed through Colorado Department of Education			
School Breakfast Program	4553	10.553	39,835
National School Lunch Program	4555	10.555	125,217
Passed through Colorado Department of Public Health and Environment			
Child and Adult Care Food Program		10.558	<u>33,663</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>216,385</u>
U.S. Department of Health and Human Services			
Direct Programs			
Head Start		93.600	359,651
ARRA - Early Head Start		93.709	<u>692,050</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,051,701</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,629,014</u>

See the accompanying Independent Auditors' Report.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2012

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, 2012, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, and have issued our report thereon dated December 11, 2012, which contained an unqualified opinion on those financial statements. The financial statements are the responsibility of the Salida School District Number R-32-J's management. Our responsibility is to express opinions on the 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 financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the auditor's integrity report is fairly stated in all material respects in relation to the financial statements as a whole.

December 11, 2012

12/14/2012
08:47 AM

Colorado Department of Education
Fiscal Year 2011-2012
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	3,242,433	9,310,274	8,821,769	3,730,938
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	29,807	170,934	176,000	24,741
Subtotal	3,272,239	9,481,208	8,997,769	3,755,679
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	85,259	1,227,715	1,197,776	115,198
21 Capital Reserve Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	55,111	511,074	518,432	47,754
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,432,540	1,982,076	1,947,214	1,467,402
39 Non-Voter Approved Debt Service Fund	0	0	0	0
41 Building Fund	17,961,801	11,338,886	22,321,627	6,979,060
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	276,535	203,868	122,735	357,669
TOTALS	23,083,485	24,744,828	35,105,552	12,722,761
Proprietary				
51 Food Service Fund	47,835	327,348	361,692	13,491
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	47,835	327,348	361,692	13,491
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	398,066	5,654	13,525	390,195
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	136,265	344,399	291,896	188,768
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
TOTALS	534,332	350,053	305,421	578,963

*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.