

**STRASBURG SCHOOL DISTRICT NO. 31-J  
STRASBURG, COLORADO**

**FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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## **FINANCIAL SECTION**



## JOHN CUTLER & ASSOCIATES

Board of Education  
Strasburg School District No. 31-J  
Strasburg, Colorado

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Strasburg School District No. 31-J (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the School, as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Strasburg School District No. 31-J as of June 30, 2015, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share, and schedule of the District's contributions on pages 28-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund financial statements and schedules 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 such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the financial statements as a whole.

*John Luttrell & Associates, LLC*

November 5, 2015

**Strasburg School District 31J**  
Management's Discussion and Analysis  
Fiscal Years Ending June 30, 2015 and 2014

As management of Strasburg School District (the District), we offer the readers of the District's basic financial statement this narrative and analysis of the financial activities of Strasburg School District 31J for the years ended June 30, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with additional information provided by auditors in the Independent Auditor's Report.

**Financial Highlights**

General revenues were approximately \$8.6 and \$8.5 million or 88 and 96 percent of all revenues, for the years ended June 30, 2015 and 2014 respectively. Program specific revenues such as grants and contributions totaled \$536,051 and \$347,796, respectively, or five and three percent for the years ended June 30, 2015 and 2014. The operations of the District were funded primarily by tax revenue received under the State School Finance Act. Tax revenues for the years were \$3,680,550 and \$3,794,234, respectively and State Equalization payments totaled \$4,477,385 and \$4,228,240 respectively.

**Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-Wide Financial Statements**

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

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

The income statement presents information showing how the District's net position 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 yearend).

The District adopted GASB Statement No. 68 "Net Pension Liability" for the year ended June 30, 2015. Adoption of this statement changed the reporting for future pension liability in the government-wide financial statements by decreasing the District's Net Position by \$13,666,027.

**Fund Financial Statements**

A fund is a grouping of related accounts that are 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. The fund tracking is reported in the auditor's report.

## Notes to Financial Statements

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

### Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the District's financial position. For the year ending June 30, 2015 liabilities exceeded assets by \$3,263,076. For the year ending June 30, 2014, the District's combined assets exceeded liabilities by \$9,941,361. Of these amounts \$(11,334,460) and \$2,543,030, respectively is unrestricted and is available to meet the District's ongoing financial obligations. \$1,484,610 and \$1,460,984, is restricted for debt service, \$101,965 and \$113,434 is restricted for capital projects, and \$263,000 and \$250,000, respectively, is restricted to comply with the TABOR Amendment. This leaves approximately \$6,221,809 and \$5,573,913, respectively, in capital assets net of related debt.

#### Net Position

	<u>2015</u>	<u>2014</u>
Assets		
Current assets	\$ 5,691,211	\$ 5,170,872
Capital Assets-Net of Depreciation	<u>14,277,672</u>	<u>14,170,430</u>
Total Assets	\$19,968,883	\$19,341,302
Liabilities		
Current liabilities	\$ 743,822	\$ 620,820
Non-current Liabilities		
- Due in 1 year	615,000	590,000
- Due in more than one year	<u>21,873,137</u>	<u>8,189,121</u>
Total Liabilities	\$23,231,959	\$ 9,399,941
Net Position		
Invested in Capital Assets, Net	\$ 6,221,809	\$ 5,573,913
Restricted:		
- Debt Service	1,484,610	1,484,910
- Building Fund	101,965	89,508
- Emergencies	263,000	250,000
Unrestricted	<u>(11,334,460)</u>	<u>2,543,030</u>
Total Net Position	\$ <u>(3,263,076)</u>	\$ <u>9,941,361</u>

#### Change in Net Position

Revenues		
Taxes and Per Pupil Revenue	\$ 8,218,577	\$8,002,474
Other revenues	642,033	519,077
Grants and charges for service	901,502	762,035
Earnings on investments	<u>15,840</u>	<u>4,182</u>
Total Revenues	\$ 9,777,952	\$9,287,768
Expenses		
Instruction	\$ 4,847,656	\$ 4,551,303
Support Services	3,417,092	3,218,474
Depreciation	504,753	516,376
Interest and fiscal charges	221,708	262,300
Food service	<u>325,153</u>	<u>341,682</u>
Total Expenses	\$ 9,316,362	\$ 8,890,135
Increase (decrease) in net position	461,590	397,633
Net Position, Beginning of year, as restated	<u>(3,724,666)</u>	<u>9,543,728</u>
Net Position, End of year	\$ <u>(3,263,076)</u>	\$ <u>9,941,361</u>

## **Financial Analysis of the District's Funds**

### **Governmental Funds**

The District reports four separate governmental funds which are accounted for using the modified accrual basis of accounting. As of the end of the current fiscal year the District's total fund balance decreased by \$295,819 in total. The General Fund and Food Service Fund decreased by \$319,048 and \$1,438, respectively, during the current year. The Bond Redemption and Building Funds each increased by \$23,626 and \$1,041, respectively, during the current year.

The Building Fund is a fund that represents the accumulation of cash in lieu of payments received from local area contractors and funds from construction bonds. The funds will be used for the purchase and improvement of current and future buildings and property for the District.

### **Long-Term Debt**

At year-end, the District had \$615,000 in bonds due within one year and \$7,558,653 due in more than one year.

During the fiscal year ending June 30, 2015, the District adopted GASB No. 68 which increased the District's long term liabilities by \$14,314,484 for Net Pension liabilities.

### **General Fund Budgetary Highlights**

The District budgeted for General Fund expenditures \$10,863,319 and \$9,782,583 for the years ended June 30, 2015 and 2014. Actual expenditures were \$8,936,910 and \$8,092,848, respectively.

### **Capital Assets**

The District's investment in capital assets as of June 30, 2015 and 2014, amounts to \$14,277,672 and \$14,170,430, respectively, net of accumulated depreciation. This investment in capital assets consists of school buildings, including the construction of the new middle school, transportation vehicles, land and food services equipment.

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

The primary factor driving the budget for the District is student enrollment. Enrollment for the 2014-15 school year was 1042. The enrollment projected for the 2015-16 school year is expected to be 1049. This factor was considered in preparing the District's budget for 2015-16.

### **Requests for Information**

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Strasburg School District 31J  
Business Office  
56729 E Colorado Avenue  
Strasburg CO 80136

## **BASIC FINANCIAL STATEMENTS**

STRASBURG SCHOOL DISTRICT NO. 31-J

STATEMENT OF NET POSITION

June 30, 2015

	GOVERNMENTAL ACTIVITIES	
	2015	2014
<b>ASSETS</b>		
Cash and Investments	\$ 4,419,955	\$ 4,617,435
Taxes Receivable	72,382	128,417
Inventories	6,286	6,286
Capital Assets		
Not Being Depreciated	796,786	364,104
Being Depreciated, Net of Accumulated Depreciation	13,480,886	13,806,326
<b>TOTAL ASSETS</b>	<b>18,776,295</b>	<b>18,922,568</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges	340,379	418,734
Related to Pensions	852,209	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,192,588</b>	<b>418,734</b>
<b>LIABILITIES</b>		
Accounts Payable	47,440	-
Accrued Salaries and Benefits	666,583	611,077
Accrued Interest	19,254	-
Deferred Revenues	9,743	9,743
Non-current Liabilities		
Net Pension Liability	14,314,484	-
Due Within One Year	615,000	590,000
Due in More Than One Year	7,558,653	8,189,121
<b>TOTAL LIABILITIES</b>	<b>23,231,157</b>	<b>9,399,941</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	802	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	6,221,809	5,573,913
Restricted for		
Debt Service	1,484,610	1,460,984
Capital Projects	101,965	113,434
Emergencies	263,000	250,000
Unrestricted	(11,334,460)	2,543,030
<b>TOTAL NET POSITION</b>	<b>\$ (3,263,076)</b>	<b>\$ 9,941,361</b>

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

STRASBURG SCHOOL DISTRICT NO. 31-J

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2015	2014
Governmental Activities						
Instruction	\$ 4,847,656	\$ 365,451	\$ 346,254	\$ -	\$ (4,135,951)	\$ (4,124,736)
Supporting Services	4,113,430	-	188,756	1,041	(3,923,633)	(3,576,766)
Interest and Fiscal Charges	294,634	-	-	-	(294,634)	(262,300)
Total Governmental Activities	<u>\$ 9,255,720</u>	<u>\$ 365,451</u>	<u>\$ 535,010</u>	<u>\$ 1,041</u>	<u>(8,354,218)</u>	<u>(7,963,802)</u>
GENERAL REVENUES						
					3,443,255	3,520,100
					237,295	274,134
					4,477,385	4,228,240
					642,033	314,793
					15,840	4,168
					-	20,000
					<u>8,815,808</u>	<u>8,361,435</u>
					461,590	397,633
					<u>(3,724,666)</u>	<u>9,543,728</u>
					<u>\$ (3,263,076)</u>	<u>\$ 9,941,361</u>

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

STRASBURG SCHOOL DISTRICT NO. 31-J

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	GENERAL	BOND REDEMPTION FUND	FOOD SERVICE FUND
<b>ASSETS</b>			
Cash and Investments	\$ 2,823,000	\$ 1,477,679	\$ 28,727
Taxes Receivable	60,512	11,870	-
Inventories	-	-	6,286
<b>TOTAL ASSETS</b>	<b>\$ 2,883,512</b>	<b>\$ 1,489,549</b>	<b>\$ 35,013</b>
<b>LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 47,440	\$ -	\$ -
Accrued Salaries and Benefits	652,729	-	13,854
Unearned Revenues	-	-	9,743
<b>TOTAL LIABILITIES</b>	<b>700,169</b>	<b>-</b>	<b>23,597</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Tax Revenues	44,052	4,939	-
<b>FUND BALANCES</b>			
Restricted for Emergencies	263,000	-	-
Restricted for Debt Service	-	1,484,610	-
Restricted for Capital Projects	-	-	11,416
Unassigned	1,876,291	-	-
<b>TOTAL FUND BALANCES</b>	<b>2,139,291</b>	<b>1,484,610</b>	<b>11,416</b>
<b>TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,883,512</b>	<b>\$ 1,489,549</b>	<b>\$ 35,013</b>

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.  
This amount is net of accumulated depreciation of \$8,826,063.

Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds.

Long-term liabilities and related assets are not due and payable in the current period and, therefore are not reported in the funds. This liability includes net pension liability of (\$14,314,484), deferred outflows relates to pension of \$852,209, and deferred inflows related to pensions of (\$802).

Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. These include bonds payable (\$7,870,000), bond premium (\$166,609), refunding loss \$340,379 accrued interest payable (\$19,254), and compensated absences (\$137,044).

Net position of governmental activities

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

BUILDING FUND	TOTALS	
	2015	2014
\$ 90,549	\$ 4,419,955	\$ 4,617,435
-	72,382	128,417
-	6,286	6,286
<u>\$ 90,549</u>	<u>\$ 4,498,623</u>	<u>\$ 4,752,138</u>

\$ -	\$ 47,440	\$ -
-	666,583	611,077
-	9,743	9,743
-	723,766	620,820

-	48,991	109,633
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-	263,000	250,000
-	1,484,610	1,460,984
90,549	101,965	113,434
-	1,876,291	2,197,267
<u>90,549</u>	<u>3,725,866</u>	<u>4,021,685</u>

\$ 90,549

14,277,672	14,170,430
48,991	109,633
(13,463,077)	-
<u>(7,852,528)</u>	<u>(8,360,387)</u>
<u>\$ (3,263,076)</u>	<u>\$ 9,941,361</u>

STRASBURG SCHOOL DISTRICT NO. 31-J

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2015

	GENERAL	BOND REDEMPTION FUND	FOOD SERVICE FUND
REVENUES			
Local Sources	\$ 3,731,216	\$ 835,334	\$ 197,966
State Sources	4,820,999	-	-
Federal Sources	65,647	-	125,749
TOTAL REVENUES	<u>8,617,862</u>	<u>835,334</u>	<u>323,715</u>
EXPENDITURES			
Current			
Instruction	4,847,656	-	-
Supporting Services	3,477,259	-	325,153
Capital Outlay	611,995	-	-
Debt Service			
Principal	-	590,000	-
Interest and Fiscal Charges	-	221,708	-
TOTAL EXPENDITURES	<u>8,936,910</u>	<u>811,708</u>	<u>325,153</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(319,048)</u>	<u>23,626</u>	<u>(1,438)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(319,048)	23,626	(1,438)
FUND BALANCES, Beginning, As Restated	<u>2,458,339</u>	<u>1,460,984</u>	<u>12,854</u>
FUND BALANCES, Ending	<u>\$ 2,139,291</u>	<u>\$ 1,484,610</u>	<u>\$ 11,416</u>

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

BUILDING FUND	TOTALS	
	2015	2014
\$ 1,041	\$ 4,765,557	\$ 4,587,246
-	4,820,999	4,519,787
-	191,396	200,735
<u>1,041</u>	<u>9,777,952</u>	<u>9,307,768</u>
-	4,847,656	4,540,575
-	3,802,412	3,570,522
-	611,995	323,433
-	590,000	575,000
-	221,708	262,300
-	<u>10,073,771</u>	<u>9,271,830</u>
<u>1,041</u>	<u>(295,819)</u>	<u>35,938</u>
-	-	20,000
-	-	-
-	-	<u>20,000</u>
1,041	(295,819)	55,938
<u>89,508</u>	<u>4,021,685</u>	<u>3,965,747</u>
<u>\$ 90,549</u>	<u>\$ 3,725,866</u>	<u>\$ 4,021,685</u>

STRASBURG SCHOOL DISTRICT NO. 31-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, 2015

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

Net change in fund balances - total governmental funds	\$ (295,819)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$611,995 exceeded depreciation expense (\$504,753) for the year.	107,242
Deferred property tax revenue - Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized on the government-wide financial statements.	(60,642)
Repayment of bond long-term debt and related costs are reported as an expenditure in the governmental funds and decrease fund balance. For the District as a whole, however, these costs and payments reduce the liabilities or are capitalized in the statement of net position and do not result in an expense in the statement of activities. These include bond principal payments of \$590,000, increase in accrued leave of (\$9,215), amortization of bond premium \$24,683, increase in accrued interest (\$19,254), and amortization of deferred charges (\$78,355).	507,859
Deferred charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	<u>202,950</u>
Change in net position of governmental activities	<u>\$ 461,590</u>

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

STRASBURG SCHOOL DISTRICT NO. 31-J

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2015

	<u>AGENCY FUND</u>
ASSETS	
Cash and Investments	<u>\$ 108,704</u>
LIABILITIES	
Due to Student Groups	<u>108,704</u>
TOTAL NET POSITION	<u><u>\$ -</u></u>

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

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Strasburg School District No. 31-J (the District) conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies:

**Reporting Entity**

The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. In addition, any legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provided benefits to, or imposes financial burdens on the District.

The District is a minority voting member of Prairie Creeks Charter School. Although the District has some oversight responsibilities, the Charter School does not meet the criteria for inclusion as a component unit of the District.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net positions) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *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 and fiduciary funds, even though the latter are excluded from the District's government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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

The *Food Services Fund* accounts for the financial activities associated with the District's school lunch program.

The *Building Fund* accounts for activity related to the issuance of debt and construction of school facilities.

Additionally, the District reports the following funds:

The *Agency Fund* is used to account for resources used to support each school's student 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 fiduciary 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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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

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

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.

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.

**Deferred Outflows/Inflows of Resources**

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

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

**Assets, Liabilities and Fund Balance/Net Position**

*Cash and Investments* - The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

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

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

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

**Assets, Liabilities and Fund Balance/Net Position** (Continued)

*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. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Buildings and Improvements	20 - 50 years
Equipment	8 - 10 years

*Long-Term Debt* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. Issuance costs are recognized in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Net Position* - The government-wide fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted. Investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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

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

*Fund Balance Classification* – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. They also have restricted net assets related to amounts accumulated to pay debt service and for capital projects.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of June 30, 2015.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend the Unassigned fund balance.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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

**Revenues and Expenditures/Expenses**

*Property Tax Revenues* - Property taxes are levied on December 15 based on the assessed value of property as certified by the county assessor on October 1. Assessed values are an approximation of market value. The property tax may be paid in total by April 30 or one-half payment by February 28 and the second half by June 15. The billings are considered due on these dates. The bill becomes delinquent and penalties and interest may be assessed by the County Treasurer on the post mark day following these dates. The tax sale date is the first Thursday of November.

*Vacation, Sick Leave, and Other Compensated Absences* - District employees are entitled to compensated absences based on their length of employment. Except for sick and vacation leave, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid. A staff member who resigns and leaves the District and has unused accumulated staff leave will be reimbursed for each day at rate of \$30 per 8 hours accrued.

**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. The District has not had any claims that exceeded the insured amounts in the last three years.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. By May 31, the Superintendent of Schools submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the Board of Education.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

**NOTE 3: CASH AND INVESTMENTS**

Cash and investments at June 30, 2015, consisted of the following.

Cash Deposits	\$ 3,811,167
Investments	<u>717,492</u>
Total	<b><u>\$ 4,528,659</u></b>

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

Governmental Activities	\$ 4,419,955
Fiduciary Funds	<u>108,704</u>
Total	<b><u>\$ 4,528,659</u></b>

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2015 State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The District has no policy regarding custodial credit risk for deposits.

At June 30, 2015 the District had deposits with financial institutions with a carrying amount of \$3,811,167. The bank balances with the financial institutions were \$3,895,035. Of these balances, \$500,000 was covered by federal depository insurance and \$3,395,035 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

**NOTE 3: CASH AND INVESTMENTS (Continued)**

**Investments**

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest which includes:

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

The District had invested \$717,492 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. The Fund operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. The Fund is rated AAAM by Standard and Poor's.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 4: CAPITAL ASSETS**

Following is a summary of capital asset activity for the year ended June 30, 2015:

	(As Restated)			
	Balances <u>6/30/14</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>6/30/15</u>
<b>Governmental Activities</b>				
Capital Assets, not depreciated				
Land	\$ 364,104	\$ 432,682	\$ -	\$ 796,786
Capital Assets, depreciated				
Buildings	19,895,510	146,889	-	20,042,399
Transportation Equipment	1,026,991	-	-	1,026,991
Other Equipment	<u>1,205,135</u>	<u>32,424</u>	<u>-</u>	<u>1,237,559</u>
Total Capital Assets, depreciated	<u>22,127,636</u>	<u>179,313</u>	<u>-</u>	<u>22,306,949</u>
Less Accumulated Depreciation				
Buildings	6,593,541	410,012	-	7,003,553
Transportation Equipment	979,797	27,283	-	1,007,080
Other Equipment	<u>747,972</u>	<u>67,458</u>	<u>-</u>	<u>815,430</u>
Total Accumulated Depreciation	<u>8,321,310</u>	<u>504,753</u>	<u>-</u>	<u>8,826,063</u>
Total Capital Assets, depreciated, Net	<u>13,806,326</u>	<u>(325,440)</u>	<u>-</u>	<u>13,480,886</u>
Governmental Activities, Capital Assets, Net	<u>\$ 14,170,430</u>	<u>\$ 107,242</u>	<u>\$ -</u>	<u>\$ 14,277,672</u>

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

**Governmental Activities**

    Supporting Services \$ 504,753

**NOTE 5: 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. The salaries and benefits earned, but unpaid, as of June 30, 2015, were \$666,583. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund and the Food Services Fund.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 6: LONG-TERM DEBT**

Changes in long-term bonded debt for the year ended June 30, 2015, were as follows:

	Balance <u>6/30/14</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>6/30/15</u>	Due In <u>One Year</u>
General Obligation					
Bonds	\$ 8,460,000	\$ -	\$ 590,000	7,870,000	\$ 615,000
Bond Premium	191,292	-	24,683	166,609	-
Compensated Absences	<u>127,829</u>	<u>9,215</u>	<u>-</u>	<u>137,044</u>	<u>-</u>
Total	<u>\$ 8,779,121</u>	<u>\$ 9,215</u>	<u>\$ 614,683</u>	<u>\$ 8,173,653</u>	<u>\$ 615,000</u>

**General Obligation Bonds**

In March of 2012, the District issued \$5,990,000 General Obligation Refunding Bonds. Bond proceeds were used to refinance a portion of the District's General Obligation Bonds issued in 2005 and pay issue costs. Interest accrues at rates ranging from 2% to 3% per annum and is payable semi-annually on June 1 and December 1. Principal payments are due annually on December 1, through 2025.

In December of 2005, the District issued \$6,700,000 General Obligation Bonds. Bond proceeds were used to construct, furnish, and equip a new middle school. Interest accrues at rates ranging from 4% to 4.125% per annum and is payable semi-annually on June 1 and December 1. Principal payments are due annually on December 1, through 2025. Principal payments maturing December 1, 2014 through 2025 were refunded with the issuance of the General Obligation Refunding Bonds, Series 2012.

In May of 2005, the District issued \$3,440,000 General Obligation Refunding Bonds. Bond proceeds were used to refinance a portion of the District's General Obligation Bonds issued in 2000. Interest accrues at rates ranging from 2.95% to 4.0% per annum and is payable semi-annually on June 1 and December 1. Principal payments are due annually on December 1, through 2021.

**Compensated Absences**

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

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 6: LONG-TERM DEBT** (Continued)

**Future Debt Service**

Future debt service requirements for the bonds are as follows:

Year Ended <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 615,000	\$ 221,401	\$ 836,401
2017	630,000	201,850	831,850
2018	650,000	182,168	832,168
2019	670,000	162,031	832,031
2020	690,000	140,725	830,725
2021-2025	3,795,000	386,213	4,181,213
2026	<u>820,000</u>	<u>12,300</u>	<u>832,300</u>
<b>Total</b>	<b><u>\$ 7,870,000</u></b>	<b><u>\$ 1,306,688</u></b>	<b><u>\$ 9,176,688</u></b>

**Defeased Bonds**

Proceeds of the General Obligation Refunding Bonds, Series 2012, in the amount of \$6,131,810 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the General Obligation Bonds, Series 2006. Although the advance refunding resulted in the recognition of an accounting loss \$564,639, the District obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$504,267. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements.

As of June 30, 2015 the outstanding balance of defeased bonds was \$5,240,000.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

**NOTE 7: JOINTLY GOVERNED ORGANIZATIONS**

The District, in conjunction with other surrounding districts, created the East Central 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. The District paid \$348,824 to the BOCES during the year, and \$47,440 was owed at June 30, 2015.

The District, in conjunction with other surrounding districts, created the Prairie Creek Charter School. The Charter School board is comprised of one member from each participating district. The District paid \$89,019 to the Charter School during the year, and no amount was owed at June 30, 2015.

**NOTE 8: DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

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

**General Information about the Pension Plan**

*Plan description.* Eligible employees of the School are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

**NOTE 8:**     **DEFINED BENEFIT PENSION PLAN** (Continued)

**General Information about the Pension Plan** (Continued)

*Benefits provided.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

**NOTE 8: DEFINED BENEFIT PENSION PLAN** (Continued)

**General Information about the Pension Plan** (Continued)

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

*Contributions.* Eligible employees and the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2015
Employer Contribution Rate <sup>1</sup>	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	3.50%	4.00%
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	16.43%	17.33%

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF School were \$794,535 for the year ended June 30, 2015.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 8: DEFINED BENEFIT PENSION PLAN** (Continued)

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

At June 30, 2015 the School reported a liability of \$14,314,484 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The School proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2014, the School proportion was .10562%, which was a decrease of 0.004554% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015 the School recognized pension expense of \$591,584. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	N/A	\$802
Net difference between projected and actual earnings on pension plan investments	\$246,889	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$196,766	N/A
Contributions subsequent to the measurement date	\$408,554	N/A
Total	\$852,209	\$802

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

**NOTE 8: DEFINED BENEFIT PENSION PLAN** (Continued)

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

\$408,554 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30, 2015</b>	
2016	\$147,618
2017	\$147,618
2018	\$147,617

*Actuarial assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90%-10.10%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 8: DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10 Year Expected Geometric Real Rate of Return</b>
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 8: DEFINED BENEFIT PENSION PLAN** (Continued)

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SCHDTP's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$18,874,955	\$14,314,484	\$10,497,293

*Pension plan fiduciary net position.* Detailed information about the SCHDTP's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 8: DEFINED BENEFIT PENSION PLAN** (Continued)

**Other Post-Employment Benefits**

Health Care Trust Fund

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

*Funding Policy* – The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2013, 2014, and 2015, the School's employer contributions to the HCTF were \$45,340, \$45,147 and \$45,271 respectively, equal to their required contributions 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 units. 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. As of June 30, 2015, 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.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

**Tabor Amendment** - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation.

In November, 1997, voters agreed to allow the District to spend all revenues generated during 1997 and each subsequent year for all district purposes and services, without limitation. The District believes it is in compliance with the requirements of the Amendment. The District has established emergency reserves representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2015, reserves totaling \$263,000 were recorded in the General Fund.

**NOTE 10: RESTATEMENT OF NET POSITION/FUND BALANCE**

The Beginning Net Position of the Government Type Activities was decreased by \$13,666,027 to (\$3,724,666) as the District implementing Governmental Accounting Standards Board Statement (GASB) No. 68.

The Beginning Fund Balance of the General Fund was increased by \$23,926 to \$2,458,339 as a result of the District combining the activities of the Capital Projects Fund with the General Fund for reporting purposes.

**NOTE 11: DEFICIT NET POSITION**

The Net Position of the government type activities is a deficit of \$3,263,076 due to the District including the Net Pension Liability per GASB No. 68.

**REQUIRED SUPPLEMENTARY INFORMATION**

## STRASBURG SCHOOL DISTRICT NO. 31-J

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2015

	2015			VARIANCE	2014 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
<b>REVENUES</b>					
Local Sources					
Property Taxes	\$ 2,440,590	\$ 2,415,366	\$ 2,381,654	\$ (33,712)	\$ 2,454,234
Property Taxes - Mill Levy Override	299,999	299,999	299,999	-	269,097
Specific Ownership Taxes	173,971	205,263	237,295	32,032	274,134
Other Tuition and Fees	134,000	134,000	167,485	33,485	153,268
Earnings on Investments	4,000	4,000	2,750	(1,250)	2,407
All Other Local Revenue Codes	118,000	127,000	642,033	515,033	314,793
Total Local Sources	<u>3,170,560</u>	<u>3,185,628</u>	<u>3,731,216</u>	<u>545,588</u>	<u>3,467,933</u>
State Sources					
State Equalization	4,366,232	4,479,799	4,477,385	(2,414)	4,228,240
Exceptional Children's Education Act	105,000	123,726	192,603	68,877	195,583
Transportation	75,000	61,757	63,007	1,250	85,225
All Other State Revenue Codes	-	-	88,004	88,004	10,739
Total State Sources	<u>4,546,232</u>	<u>4,665,282</u>	<u>4,820,999</u>	<u>155,717</u>	<u>4,519,787</u>
Federal Sources					
	62,686	62,686	65,647	2,961	56,249
<b>TOTAL REVENUES</b>	<u>7,779,478</u>	<u>7,913,596</u>	<u>8,617,862</u>	<u>704,266</u>	<u>8,043,969</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries	3,640,480	3,654,767	3,105,708	549,059	2,895,444
Employee Benefits	1,187,586	1,189,814	953,938	235,876	880,779
Purchased Services	424,007	476,550	540,836	(64,286)	596,488
Supplies and Materials	206,200	217,200	181,980	35,220	159,605
Property	3,000	5,000	4,666	334	4,430
Other Objects and Uses	50,936	66,540	60,528	6,012	3,829
Total Instruction	<u>5,512,209</u>	<u>5,609,871</u>	<u>4,847,656</u>	<u>762,215</u>	<u>4,540,575</u>
Support Services					
Students					
Salaries	173,150	192,600	174,710	17,890	170,135
Employee Benefits	61,103	60,928	55,867	5,061	54,379
Purchased Services	28,800	28,800	30,667	(1,867)	31,799
Supplies and Materials	18,900	17,900	16,078	1,822	16,657
Property	90,000	90,000	72,156	17,844	75,347
Other Objects and Uses	50,000	25,000	1,780	23,220	-
Total Students	<u>421,953</u>	<u>415,228</u>	<u>351,258</u>	<u>63,970</u>	<u>348,317</u>

(Continued)

See the accompanying independent auditors' report.

STRASBURG SCHOOL DISTRICT NO. 31-J

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2015

	2015			VARIANCE	2014 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Instructional Staff					
Salaries	22,900	22,900	23,046	(146)	22,440
Employee Benefits	10,920	10,920	10,264	656	9,779
Supplies and Materials	13,100	13,100	11,490	1,610	12,658
Total Instructional Staff	46,920	46,920	44,800	2,120	44,877
General Administration					
Salaries	420,452	394,412	388,701	5,711	511,997
Employee Benefits	128,119	129,712	118,926	10,786	122,272
Purchased Services	127,000	124,000	146,338	(22,338)	77,389
Supplies and Materials	40,250	73,250	23,057	50,193	18,661
Property	290,000	82,500	53,772	28,728	197,964
Other Objects and Uses	70,000	45,000	37,296	7,704	77,902
Total General Administration	1,075,821	848,874	768,090	80,784	1,006,185
School Administration					
Salaries	302,869	362,020	357,168	4,852	294,964
Employee Benefits	101,360	106,600	95,272	11,328	88,295
Purchased Services	219,650	216,650	207,804	8,846	189,667
Supplies and Materials	16,900	16,900	15,896	1,004	15,999
Other Objects and Uses	4,000	4,000	3,956	44	1,712
Total School Administration	644,779	706,170	680,096	26,074	590,637
Operations and Maintenance					
Salaries	407,320	412,320	395,144	17,176	397,776
Employee Benefits	165,822	167,122	141,946	25,176	140,104
Purchased Services	253,200	256,200	214,298	41,902	442,302
Insurance	140,000	145,000	133,104	11,896	118,365
Supplies and Materials	391,000	391,000	348,029	42,971	88,399
Property and Other Objects and Uses	4,000	255,000	634,211	(379,211)	-
Total Operations and Maintenance	1,361,342	1,626,642	1,866,732	(240,090)	1,186,946

(Continued)

See the accompanying independent auditors' report.

STRASBURG SCHOOL DISTRICT NO. 31-J

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2015

	2015			VARIANCE Positive (Negative)	2014 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Student Transportation					
Salaries	219,205	219,206	168,662	50,544	165,682
Employee Benefits	52,251	53,426	40,817	12,609	37,329
Purchased Services	115,000	125,000	114,063	10,937	108,665
Supplies and Materials	85,000	85,000	53,299	31,701	63,635
Property	-	-	1,437	(1,437)	-
Total Student Transportation	<u>471,456</u>	<u>482,632</u>	<u>378,278</u>	<u>104,354</u>	<u>375,311</u>
Total Supporting Services	<u>4,022,271</u>	<u>4,126,466</u>	<u>4,089,254</u>	<u>37,212</u>	<u>3,552,273</u>
Reserves					
Total Reserves	<u>1,054,998</u>	<u>1,126,982</u>	<u>-</u>	<u>1,126,982</u>	<u>-</u>
TOTAL EXPENDITURES	<u>10,589,478</u>	<u>10,863,319</u>	<u>8,936,910</u>	<u>1,926,409</u>	<u>8,092,848</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,810,000)</u>	<u>(2,949,723)</u>	<u>(319,048)</u>	<u>2,630,675</u>	<u>(48,879)</u>
NET CHANGE IN FUND BALANCE	<u>(2,810,000)</u>	<u>(2,949,723)</u>	<u>(319,048)</u>	<u>2,630,675</u>	<u>(48,879)</u>
FUND BALANCE, Beginning, As Restated	<u>2,810,000</u>	<u>2,994,219</u>	<u>2,458,339</u>	<u>(535,880)</u>	<u>2,507,218</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 44,496</u>	<u>\$ 2,139,291</u>	<u>\$ 2,094,795</u>	<u>\$ 2,458,339</u>

See the accompanying independent auditors' report.

STRASBURG SCHOOL DISTRICT NO. 31-J

FOOD SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2015

	2015			VARIANCE	2014 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Charges for Services					
Lunches	\$ 320,000	\$ 320,000	\$ 197,966	\$ (122,034)	\$ 191,531
Federal Aid					
School Lunches	-	-	110,524	110,524	125,423
Commodity Donations	-	20,000	15,225	(4,775)	19,063
TOTAL REVENUES	320,000	340,000	323,715	(16,285)	336,017
EXPENSES					
Salaries and Benefits	140,000	140,000	124,320	15,680	135,693
Commodities	-	20,000	15,225	4,775	19,063
Food	176,000	176,000	171,458	4,542	172,798
Purchased Services	14,000	14,000	14,150	(150)	14,128
TOTAL EXPENSES	330,000	350,000	325,153	24,847	341,682
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,000)	(10,000)	(1,438)	8,562	(5,665)
OTHER FINANCING USES					
Transfers In	-	10,000	-	(10,000)	20,000
NET CHANGE IN FUND BALANCE	(10,000)	-	(1,438)	(1,438)	14,335
NET POSITION, Beginning	14,493	30,165	12,854	(17,311)	(1,481)
NET POSITION, Ending	\$ 4,493	\$ 30,165	\$ 11,416	\$ (18,749)	\$ 12,854

See the accompanying independent auditors' report.

STRASBURG SCHOOL DISTRICT NO. 31-J

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
SCHOOL DIVISION TRUST FUND

Years Ended December 31,  
(School Division Trust Fund Measurement Date)

	<u>2013</u>	<u>2014</u>
District's proportionate share of the Net Pension Liability	0.110%	0.106%
District's proportionate share of the Net Pension Liability	\$ 14,052,129	\$ 14,314,484
District's covered-employee payroll	\$ 4,441,295	\$ 4,424,541
District's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	316.4%	323.5%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%

See the accompanying independent auditors' report.

STRASBURG SCHOOL DISTRICT NO. 31-J

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>
Statutorily required contributions	\$ 752,446	\$ 794,535
Contributions in relation to the Statutorily required contributions	<u>752,446</u>	<u>794,535</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 4,426,180	\$ 4,438,370
Contributions as a percentage of covered-employee payroll	17.00%	17.90%

See the accompanying independent auditors' report.

**INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

STRASBURG SCHOOL DISTRICT NO. 31-J

BOND REDEMPTION FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2015

	2015			VARIANCE Positive (Negative)	2014 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Property Taxes	\$ 847,000	\$ 840,000	\$ 822,244	\$ (17,756)	\$ 847,497
Earnings on Investments	1,700	1,500	13,090	11,590	1,761
TOTAL REVENUES	848,700	841,500	835,334	(6,166)	849,258
EXPENDITURES					
Debt Service					
Principal	575,000	615,000	590,000	25,000	575,000
Interest and Fiscal Charges	272,600	222,500	221,708	792	262,300
TOTAL EXPENDITURES	847,600	837,500	811,708	25,792	837,300
NET CHANGE IN FUND BALANCE	1,100	4,000	23,626	19,626	11,958
FUND BALANCE, Beginning	1,428,235	850,000	1,460,984	610,984	1,449,026
FUND BALANCE, Ending	\$ 1,429,335	\$ 854,000	\$ 1,484,610	\$ 630,610	\$ 1,460,984

See the accompanying independent auditors' report.

STRASBURG SCHOOL DISTRICT NO. 31-J

BUILDING FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2015

	2015		VARIANCE Positive (Negative)	2014 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Local Sources				
Earnings on Investments	\$ 100	\$ 45	\$ (55)	\$ 14
Other Local Revenues	3,000	996	(2,004)	78,510
TOTAL REVENUES	3,100	1,041	(2,059)	78,524
EXPENDITURES				
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	3,100	1,041	(2,059)	78,524
FUND BALANCE, Beginning	89,584	89,508	(76)	10,984
FUND BALANCE, Ending	\$ 92,684	\$ 90,549	\$ (2,135)	\$ 89,508

See the accompanying independent auditor's report.

STRASBURG SCHOOL DISTRICT NO. 31-J

AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 Year Ended June 30, 2015

	BALANCE JULY 1, 2014	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2015
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash	\$ 93,138	\$ 348,659	\$ 333,093	\$ 108,704
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>LIABILITIES</b>				
Accrued Liabilities -				
Due to Student Groups	\$ 93,138	\$ 348,659	\$ 333,093	\$ 108,704
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

See the accompanying independent auditors' report