

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

FINANCIAL STATEMENTS

JUNE 30, 2016

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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, 2016, 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, 2016, 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 29-34 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 Luthr & Associates, LLC

December 15, 2016

June 30, 2016

This is a Management Discussion and Analysis (MD&A) for Strasburg School District 31J. It offers the reader management's perspective of the financial activities of the school district for the year ended June 30, 2016. The focus of this discussion is the primary government.

The MD&A is an element of reporting put for the by the Government Accounting Standards Board (GASB), in accordance with GASB Statement No. 34, *Basic Financial Statement and Management Discussion and Analysis for State and Local Governments*.

Financial Highlights

- In government-wide activities the District's net position totaled (3,080,515) at the end of the 2016 fiscal year. The net position includes the pension liability of \$15,150,542 applied under the GASB 68 regulations. Without the pension liability the net position reflects a net position of \$12,070,027.
- Total assets in the governmental funds was 5,111,916; total liabilities and deferred inflows were \$943,994, resulting in an ending fund balance of \$4,167,922.

Overview of the Financial Statements

The Management's Discussion & Analysis is presented as an introduction into the Strasburg School District's basic financial information. This information is comprised in the following three components:

- 1) Government-wide financial statements
- 2) Fund Financial Statements
- 3) Supplemental Information

Government-Wide Financial Statements

Government-wide statements provide an overall view of the District's financial status specific to those activities directly related to the education of our students. The government-wide statements report assets, deferred outflows, liabilities, and deferred inflows. The difference between the assets/deferred outflows and liabilities/deferred inflows is reported as net position. The statement of net position is one way to measure the financial position of the District. Over time, changes in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The district-wide statements report the governmental activities of the District. The governmental activities include expenditures related to instruction, transportation, maintenance and operations, and administration. The Strasburg School District reports this information primarily in its general fund.

The District does not report any proprietary funds for the year ended June 30, 2016.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been “set apart” for specific activities. The fund financial statements provide detailed information about the District’s funds. These statements focus on those specific funds, not the District as a whole. Strasburg School District 31J, like other governmental agencies, uses fund accounting to demonstrate and ensure compliance.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds. The District does not report any proprietary fund types.

Governmental Funds: Most of the District’s basic services are reported in governmental funds. This information is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund accounting may help the reader determine whether there are more or less financial resources that can be spent in the near future. The differences between government wide statement of net position and activities and governmental funds are reconciled in the financial statements. The District reports the following funds as major governmental funds: The General Fund, the Bond Redemption Fund, and the Food Service Fund.

Fiduciary Funds: The District is the agent, or *Fiduciary*, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purpose. The District reports the student activities as a Fiduciary Fund.

Supplemental Information: In addition to the financial statements and accompanying notes the District’s financial audit also contains more detailed financial information and other supplemental information concerning the District’s non-major governmental funds.

Financial Analysis of The Governmental Funds: The focus of the District’s governmental funds is to provide information on balances of available (spendable) resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful tool in measuring the District’s net resources available for spending at the end of the fiscal year. The District’s unassigned fund balance in the General Fund was \$2,286,007 for the year ended June 30, 2016.

Financial Analysis of the District as a Whole

The District’s total net assets on June 30, 2016 were (3,080,515). Of the District’s \$18,981,741 in assets, \$13,869,825 reflects investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. The unrestricted net assets of \$3,721,366 (not including the pension liability) may be used to meet the District’s ongoing financial obligations. The long term debt on June 30, 2016 was \$6,893,574 current debt (due within one year) was 630,000.

Statement of Net Position			
		2015	2016
		Governmental Activities	
Assets			
Current Assets		4,498,623	5,111,916
Capital Assets, Net		14,277,672	13,869,825
	Total Assets	18,776,295	18,981,741
Deferred Outflows		1,209,813	2,222,612
Liabilities			
Current and Other Liabilities		735,472	882,777
Non Current Liabilities		22,547,581	22,674,116
	Total Liabilities	23,283,053	23,556,893
Deferred Inflows		802	727,975
Net Position			
Net Investment in Capital Assets		6,169,913	6,473,012
Restricted for			
Debt Service		1,484,610	1,520,725
Capital Projects		101,965	91,924
Emergency Reserve		263,000	263,000
Unrestricted		(11,317,235)	(11,429,176)
	Total Net Position	(3,297,747)	(3,080,515)

Statement of Activities			
		2015	2016
		Governmental Activities	
Revenue			
Program Revenues			
Charges for Services		365,451	354,160
Operating Grants and Contributions		535,010	683,038
Capital Grants and Contributions		1,041	1,375
General Revenues			
Property Taxes		3,443,255	3,910,831
Specific Ownership Taxes		237,295	301,915
State Equalization		4,477,385	4,474,305
Other Revenues		642,033	138,437
Earnings on Investments		15,840	6,438
	Total Revenues	<u>9,717,310</u>	<u>9,870,499</u>
Expenses			
Instruction		4,847,656	5,167,093
Supporting Services		4,113,430	4,287,066
Interest and Fiscal Charges		329,305	199,108
	Total Expenses	<u>9,290,391</u>	<u>9,653,267</u>
Increase (Decrease) in Net Position		<u>426,919</u>	<u>217,232</u>

Financial Analysis of the District's Funds

General Fund Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

- Total revenues in the General Fund were \$44,417 higher than the preceding year.
- Total expenditures were \$684,347 lower than the preceding year.
- The District must maintain an emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). On June 30, 2016 District's TABOR reserve amounted to \$263,000.

Economic Factors

Although the District has maintained a relatively consistent student count, the impact of the State imposed negative factor decrease the revenue by an aggregate of nearly 6,000,000. Due to the negative factor the District has deferred maintenance, purchase of replacement buses, limited employee raises, and lengthened the cycle for replacement of technology and curriculum.

Strasburg School District is expected to experience an increase in student count due to local residential development. The District stands at the cusp of having the economy of scale to increase facility capacity.

Strasburg Board of Education is committed to providing students with a 21st century learning experience. To that end they have worked diligently to stop deficit spending and increase the fund balance while meeting the needs of students.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Strasburg School 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:

Monica Johnson
Superintendent of Schools
Strasburg School District
56729 E. Colorado Ave.
Strasburg, CO 80136

BASIC FINANCIAL STATEMENTS

STRASBURG SCHOOL DISTRICT NO. 31-J

STATEMENT OF NET POSITION

June 30, 2016

	GOVERNMENTAL ACTIVITIES	
	2016	2015
ASSETS		
Cash and Investments	\$ 4,950,259	\$ 4,419,955
Taxes Receivable	156,311	72,382
Inventories	5,346	6,286
Capital Assets		
Not Being Depreciated	796,786	796,786
Being Depreciated, Net of Accumulated Depreciation	13,073,039	13,480,886
TOTAL ASSETS	<u>18,981,741</u>	<u>18,776,295</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges	301,140	357,604
Related to Pensions	1,921,472	852,209
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,222,612</u>	<u>1,209,813</u>
LIABILITIES		
Accounts Payable	-	47,440
Accrued Salaries and Benefits	632,394	666,583
Accrued Interest	10,283	11,706
Deferred Revenues	240,100	9,743
Non-current Liabilities		
Net Pension Liability	15,150,542	14,314,484
Due Within One Year	630,000	630,000
Due in More Than One Year	6,893,574	7,603,097
TOTAL LIABILITIES	<u>23,556,893</u>	<u>23,283,053</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	727,975	802
NET POSITION		
Net Investment in Capital Assets	6,473,012	6,169,913
Restricted for		
Debt Service	1,520,725	1,484,610
Capital Projects	91,924	101,965
Emergencies	263,000	263,000
Unrestricted	(11,429,176)	(11,317,235)
TOTAL NET POSITION	<u>\$ (3,080,515)</u>	<u>\$ (3,297,747)</u>

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, 2016

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	
					2016	2015
Governmental Activities						
Instruction	\$ 5,167,093	\$ 354,160	\$ 446,207	\$ -	\$ (4,366,726)	\$ (4,135,951)
Supporting Services	4,287,066	-	236,831	1,375	(4,048,860)	(3,923,633)
Interest and Fiscal Charges	199,108	-	-	-	(199,108)	(329,305)
Total Governmental Activities	<u>\$ 9,653,267</u>	<u>\$ 354,160</u>	<u>\$ 683,038</u>	<u>\$ 1,375</u>	<u>(8,614,694)</u>	<u>(8,388,889)</u>
		GENERAL REVENUES				
					3,910,831	3,443,255
					301,915	237,295
					4,474,305	4,477,385
					138,437	642,033
					6,438	15,840
					<u>8,831,926</u>	<u>8,815,808</u>
					217,232	426,919
					<u>(3,297,747)</u>	<u>(3,724,666)</u>
					<u>\$ (3,080,515)</u>	<u>\$ (3,297,747)</u>

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

STRASBURG SCHOOL DISTRICT NO. 31-J

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	GENERAL	BOND REDEMPTION FUND	FOOD SERVICE FUND
ASSETS			
Cash and Investments	\$ 3,333,067	\$ 1,504,625	\$ 20,643
Taxes Receivable	131,411	24,900	-
Inventories	-	-	5,346
TOTAL ASSETS	\$ 3,464,478	\$ 1,529,525	\$ 25,989
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	624,649	-	7,745
Unearned Revenues	228,122	-	11,978
TOTAL LIABILITIES	852,771	-	19,723
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenues	62,700	8,800	-
FUND BALANCES			
Nonspendable	-	-	5,346
Restricted for Emergencies	263,000	-	-
Restricted for Debt Service	-	1,520,725	-
Restricted for Capital Projects	-	-	-
Restricted for Food Service	-	-	920
Unassigned	2,286,007	-	-
TOTAL FUND BALANCES	2,549,007	1,520,725	6,266
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,464,478	\$ 1,529,525	\$ 25,989

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 \$9,327,548

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 (\$15,150,542), deferred outflows relates to pension of \$1,921,472, and deferred inflows related to pensions of (\$727,975).

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 (\$7,205,000), bond premium (\$219,198), refunding loss \$301,140 accrued interest payable (\$10,283), and compensated absences (\$99,376).

Net position of governmental activities

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

BUILDING FUND	TOTALS	
	2016	2015
\$ 91,924	\$ 4,950,259	\$ 4,419,955
-	156,311	72,382
-	5,346	6,286
<u>\$ 91,924</u>	<u>\$ 5,111,916</u>	<u>\$ 4,498,623</u>

\$ -	\$ -	\$ 47,440
-	632,394	666,583
-	240,100	9,743
-	872,494	723,766

-	71,500	48,991
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-	5,346	-
-	263,000	263,000
-	1,520,725	1,484,610
91,924	91,924	101,965
-	920	-
-	2,286,007	1,876,291

91,924	4,167,922	3,725,866
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\$ 91,924

13,869,825	14,277,672
71,500	48,991
(13,957,045)	(13,463,077)
<u>(7,232,717)</u>	<u>(7,887,199)</u>
<u>\$ (3,080,515)</u>	<u>\$ (3,297,747)</u>

STRASBURG SCHOOL DISTRICT NO. 31-J

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	GENERAL	BOND REDEMPTION FUND	FOOD SERVICE FUND
REVENUES			
Local Sources	\$ 3,673,933	\$ 854,940	\$ 160,399
State Sources	4,907,725	-	-
Federal Sources	80,621	-	168,997
 TOTAL REVENUES	 <u>8,662,279</u>	 <u>854,940</u>	 <u>329,396</u>
EXPENDITURES			
Current			
Instruction	4,833,246	-	-
Supporting Services	2,807,322	-	334,546
Capital Outlay	611,995	-	-
Debt Service			
Principal	-	630,000	-
Interest and Fiscal Charges	-	188,825	-
Bond Issue Costs	-	-	-
 TOTAL EXPENDITURES	 <u>8,252,563</u>	 <u>818,825</u>	 <u>334,546</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>409,716</u>	 <u>36,115</u>	 <u>(5,150)</u>
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	-	-
Bond Premium	-	-	-
Payment to Refunding Escrow	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
 NET CHANGE IN FUND BALANCES	 409,716	 36,115	 (5,150)
FUND BALANCES, Beginning	<u>2,139,291</u>	<u>1,484,610</u>	<u>11,416</u>
FUND BALANCES, Ending	<u>\$ 2,549,007</u>	<u>\$ 1,520,725</u>	<u>\$ 6,266</u>

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

BUILDING FUND	TOTALS	
	2016	2015
\$ 1,375	\$ 4,690,647	\$ 4,765,557
-	4,907,725	4,820,999
-	249,618	191,396
<u>1,375</u>	<u>9,847,990</u>	<u>9,777,952</u>
-	4,833,246	4,847,656
-	3,141,868	3,802,412
-	611,995	611,995
-	630,000	590,000
-	188,825	221,708
-	-	64,508
<u>-</u>	<u>9,405,934</u>	<u>10,138,279</u>
<u>1,375</u>	<u>442,056</u>	<u>(360,327)</u>
-	-	2,265,000
-	-	103,030
-	-	<u>(2,303,522)</u>
<u>-</u>	<u>-</u>	<u>64,508</u>
1,375	442,056	(295,819)
<u>90,549</u>	<u>3,725,866</u>	<u>4,021,685</u>
<u>\$ 91,924</u>	<u>\$ 4,167,922</u>	<u>\$ 3,725,866</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, 2016

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

Net change in fund balances - total governmental funds	\$ 442,056
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 depreciation expense (\$501,485) exceeded capital outlay \$93,638 for the year.	(407,847)
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.	22,509
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 \$630,000, decrease in accrued leave of \$37,668, amortization of bond premium \$41,855, decrease in accrued interest \$1,423, and amortization of deferred charges (\$56,464).	654,482
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>(493,968)</u>
Change in net position of governmental activities	<u><u>\$ 217,232</u></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, 2016

	<u>AGENCY FUND</u>
ASSETS	
Cash and Investments	<u>\$ 129,453</u>
LIABILITIES	
Due to Student Groups	<u>129,453</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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, capital projects and the food service program.
- 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, 2016.
- 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, 2016

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, 2016

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.

NOTE 3: CASH AND INVESTMENTS

Cash and investments at June 30, 2016, consisted of the following.

Cash Deposits	\$ 4,359,474
Investments	<u>720,238</u>
Total	<u>\$ 5,079,712</u>

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

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

Governmental Activities	\$ 4,950,259
Fiduciary Funds	<u>129,453</u>
Total	<u>\$ 5,079,712</u>

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, 2016 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, 2016 the District had deposits with financial institutions with a carrying amount of \$4,359,474. The bank balances with the financial institutions were \$4,456,571. Of these balances, \$500,000 was covered by federal depository insurance and \$3,956,571 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

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.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

Investments (Continued)

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 \$720,238 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, 2016

NOTE 4: CAPITAL ASSETS

Following is a summary of capital asset activity for the year ended June 30, 2016:

	Balances <u>6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>6/30/16</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 796,786	\$ -	\$ -	\$ 796,786
Capital Assets, depreciated				
Buildings	20,042,399	87,148	-	20,129,547
Transportation Equipment	1,026,991	-	-	1,026,991
Other Equipment	<u>1,237,559</u>	<u>6,490</u>	-	<u>1,244,049</u>
Total Capital Assets, depreciated	<u>22,306,949</u>	<u>93,638</u>	-	<u>22,400,587</u>
Less Accumulated Depreciation				
Buildings	7,003,553	413,278	-	7,416,831
Transportation Equipment	1,007,080	12,363	-	1,019,443
Other Equipment	<u>814,430</u>	<u>75,844</u>	-	<u>891,274</u>
Total Accumulated Depreciation	<u>8,826,063</u>	<u>501,485</u>	-	<u>9,327,548</u>
Total Capital Assets, depreciated, Net	<u>13,480,886</u>	<u>(407,847)</u>	-	<u>13,073,039</u>
Governmental Activities, Capital Assets, Net	<u>\$ 14,277,672</u>	<u>\$ (407,847)</u>	<u>\$ -</u>	<u>\$ 13,869,825</u>

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

Governmental Activities

 Supporting Services \$ 501,485

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, 2016, were \$632,394. 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, 2016

NOTE 6: LONG-TERM DEBT

Changes in long-term bonded debt for the year ended June 30, 2016, were as follows:

	Balance <u>6/30/15</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>6/30/16</u>	Due In <u>One Year</u>
General Obligation					
Bonds	\$ 7,835,000	\$ -	\$ 630,000	7,205,000	\$ 630,000
Bond Premium	261,053	-	41,855	219,198	-
Compensated Absences	<u>137,044</u>	<u>-</u>	<u>37,668</u>	<u>99,376</u>	<u>-</u>
Total	<u>\$ 8,233,097</u>	<u>\$ -</u>	<u>\$ 709,523</u>	<u>\$ 7,523,574</u>	<u>\$ 630,000</u>

General Obligation Bonds

In December 2014, the District issued \$2,265,000 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 2020.

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.

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, 2016

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>
2017	\$ 630,000	\$ 175,725	\$ 805,725
2018	645,000	162,975	807,975
2019	660,000	149,450	809,450
2020	675,000	133,675	808,675
2021	700,000	115,225	815,225
2022-2026	<u>3,895,000</u>	<u>280,888</u>	<u>4,175,888</u>
Total	<u>\$ 7,205,000</u>	<u>\$ 1,017,938</u>	<u>\$ 8,222,938</u>

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, 2016 the outstanding balance of defeased bonds was \$5,305,000.

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 \$383,384 to the BOCES during the year, and \$18,810 was owed at June 30, 2016. 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 \$92,482 to the Charter School during the year, and no amount was owed at June 30, 2016.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The District 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.

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.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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.

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.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate ¹	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) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF ¹	17.33%	18.13%

¹Rates 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 \$836,935 for the year ended June 30, 2016.

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

At June 30, 2016 the School reported a liability of \$15,150,542 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the School's proportion was .09906%, which was a decrease of .00656% from its proportion measured as of December 31, 2014.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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)

For the year ended June 30, 2016 the School recognized pension expense of \$1,330,903. At June 30, 2016, 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	\$ 1,288,221	\$ 631
Changes in assumptions or other inputs	N/A	\$ 214,104
Net difference between projected and actual earnings on pension plan investments	\$ 200,065	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	N/A	\$ 513,240
Contributions subsequent to the measurement date	\$ 433,186	N/A
Total	\$ 1,921,472	\$ 727,975

\$433,186 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	\$157,154
2018	\$157,266
2019	\$181,726
2020	\$264,165

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN(Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 2014 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, 2014 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.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

The following programming changes were made:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18-month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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 following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SCHDTF'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 November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
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, 2016

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 applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted).

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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)

- When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SCHDTF’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%, 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	\$19,639,531	\$15,150,542	\$11,416,541

Pension plan fiduciary net position. Detailed information about the SCHDTF’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.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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.

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, 2014, 2015, and 2016, the School's employer contributions to the HCTF were \$45,147, \$45,271 and \$45,516 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, 2016, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

Tabor Amendment - 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.

STRASBURG SCHOOL DISTRICT NO. 31-J

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

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, 2016, reserves totaling \$263,000 were recorded in the General Fund.

NOTE 10: **DEFICIT NET POSITION**

The Net Position of the government type activities is a deficit of \$3,080,515 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, 2016

	2016			VARIANCE	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Local Sources					
Property Taxes	\$ 2,541,064	\$ 2,696,336	\$ 2,735,262	\$ 38,926	\$ 2,381,654
Property Taxes - Mill Levy Override	299,999	299,967	299,967	-	299,999
Specific Ownership Taxes	210,821	210,820	301,915	91,095	237,295
Other Tuition and Fees	135,000	135,000	193,761	58,761	167,485
Earnings on Investments	2,000	1,500	4,591	3,091	2,750
All Other Local Revenue Codes	127,000	127,000	138,437	11,437	642,033
Total Local Sources	<u>3,315,884</u>	<u>3,470,623</u>	<u>3,673,933</u>	<u>203,310</u>	<u>3,731,216</u>
State Sources					
State Equalization	4,577,480	4,577,481	4,474,305	(103,176)	4,477,385
Exceptional Children's Education Act	124,000	117,643	260,555	142,912	192,603
Transportation	70,000	65,175	67,834	2,659	63,007
All Other State Revenue Codes	254,510	254,510	105,031	(149,479)	88,004
Total State Sources	<u>5,025,990</u>	<u>5,014,809</u>	<u>4,907,725</u>	<u>(107,084)</u>	<u>4,820,999</u>
Federal Sources					
	62,686	62,686	80,621	17,935	65,647
TOTAL REVENUES	<u>8,404,560</u>	<u>8,548,118</u>	<u>8,662,279</u>	<u>114,161</u>	<u>8,617,862</u>
EXPENDITURES					
Instruction					
Salaries	3,089,789	3,081,064	3,015,576	65,488	3,105,708
Employee Benefits	1,120,612	1,129,501	1,015,038	114,463	953,938
Purchased Services	216,761	212,000	502,855	(290,855)	540,836
Supplies and Materials	315,617	315,617	219,083	96,534	181,980
Property	4,781	4,781	3,849	932	4,666
Other Objects and Uses	20,383	20,383	76,845	(56,462)	60,528
Total Instruction	<u>4,767,943</u>	<u>4,763,346</u>	<u>4,833,246</u>	<u>(69,900)</u>	<u>4,847,656</u>
Support Services					
Students					
Salaries	170,184	170,184	228,883	(58,699)	174,710
Employee Benefits	63,790	63,790	58,629	5,161	55,867
Purchased Services	330	330	18,792	(18,462)	30,667
Supplies and Materials	305	305	101,202	(100,897)	16,078
Property	-	-	46,004	(46,004)	72,156
Other Objects and Uses	-	-	5,684	(5,684)	1,780
Total Students	<u>234,609</u>	<u>234,609</u>	<u>459,194</u>	<u>(224,585)</u>	<u>351,258</u>

(Continued)

See the accompanying independent auditors' report.

STRASBURG SCHOOL DISTRICT NO. 31-J

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	2016			VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Instructional Staff					
Salaries	82,871	82,871	22,871	60,000	23,046
Employee Benefits	31,122	31,122	28,289	2,833	10,264
Supplies and Materials	-	-	8,399	(8,399)	11,490
Total Instructional Staff	<u>113,993</u>	<u>113,993</u>	<u>59,559</u>	<u>54,434</u>	<u>44,800</u>
General Administration					
Salaries	153,992	153,992	270,920	(116,928)	388,701
Employee Benefits	53,761	53,762	84,304	(30,542)	118,926
Purchased Services	814,914	876,305	113,046	763,259	146,338
Supplies and Materials	37,250	32,750	22,506	10,244	23,057
Property	2,250	2,250	138,954	(136,704)	53,772
Other Objects and Uses	18,000	18,000	34,056	(16,056)	37,296
Total General Administration	<u>1,080,167</u>	<u>1,137,059</u>	<u>663,786</u>	<u>473,273</u>	<u>768,090</u>
School Administration					
Salaries	519,104	518,927	300,652	218,275	357,168
Employee Benefits	180,426	180,426	95,051	85,375	95,272
Purchased Services	270,050	270,050	198,329	71,721	207,804
Supplies and Materials	1,950	1,950	13,591	(11,641)	15,896
Other Objects and Uses	6,925	6,925	3,367	3,558	3,956
Total School Administration	<u>978,455</u>	<u>978,278</u>	<u>610,990</u>	<u>367,288</u>	<u>680,096</u>
Operations and Maintenance					
Salaries	417,317	417,317	468,727	(51,410)	395,144
Employee Benefits	175,671	175,671	176,228	(557)	141,946
Purchased Services	127,700	127,700	213,033	(85,333)	214,298
Insurance	-	-	110,076	(110,076)	133,104
Supplies and Materials	83,600	83,600	326,675	(243,075)	348,029
Property and Other Objects and Uses	-	-	2,274	(2,274)	634,211
Total Operations and Maintenance	<u>804,288</u>	<u>804,288</u>	<u>1,297,013</u>	<u>(492,725)</u>	<u>1,866,732</u>

(Continued)

See the accompanying independent auditors' report.

STRASBURG SCHOOL DISTRICT NO. 31-J

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2016

	2016			VARIANCE	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Student Transportation					
Salaries	186,773	186,274	154,295	31,979	168,662
Employee Benefits	61,246	61,246	43,528	17,718	40,817
Purchased Services	184,640	182,640	96,454	86,186	114,063
Supplies and Materials	3,500	2,500	34,035	(31,535)	53,299
Property	-	-	463	(463)	1,437
Total Student Transportation	<u>436,159</u>	<u>432,660</u>	<u>328,775</u>	<u>103,885</u>	<u>378,278</u>
Total Supporting Services	<u>3,647,671</u>	<u>3,700,887</u>	<u>3,419,317</u>	<u>281,570</u>	<u>4,089,254</u>
Reserves					
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>8,415,614</u>	<u>8,464,233</u>	<u>8,252,563</u>	<u>211,670</u>	<u>8,936,910</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,054)</u>	<u>83,885</u>	<u>409,716</u>	<u>325,831</u>	<u>(319,048)</u>
OTHER FINANCING USES					
Transfers Out	<u>355,000</u>	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>355,000</u>	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	343,946	383,885	409,716	25,831	(319,048)
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>2,139,291</u>	<u>2,139,291</u>	<u>2,458,339</u>
FUND BALANCE, Ending	<u>\$ 343,946</u>	<u>\$ 383,885</u>	<u>\$ 2,549,007</u>	<u>\$ 2,165,122</u>	<u>\$ 2,139,291</u>

See the accompanying independent auditors' report.

STRASBURG SCHOOL DISTRICT NO. 31-J

FOOD SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2016

	2016			2015 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	
REVENUES				
Charges for Services				
Lunches	\$ 300,000	\$ 160,399	\$ (139,601)	\$ 197,966
Federal Aid				
School Lunches	-	147,834	147,834	110,524
Commodity Donations	20,000	21,163	1,163	15,225
State Matching Funds	-	-	-	-
TOTAL REVENUES	320,000	329,396	9,396	323,715
EXPENSES				
Salaries and Benefits	126,000	125,690	310	124,320
Commodities	20,000	24,315	(4,315)	15,225
Food	162,000	169,249	(7,249)	171,458
Purchased Services	17,000	15,292	1,708	14,150
Reserves	30,000	-	30,000	-
TOTAL EXPENSES	355,000	334,546	20,454	325,153
NET CHANGE IN FUND BALANCE	(35,000)	(5,150)	29,850	(1,438)
NET POSITION, Beginning	35,000	11,416	(23,584)	12,854
NET POSITION, Ending	\$ -	\$ 6,266	\$ 6,266	\$ 11,416

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>	<u>2015</u>
District's proportionate share of the Net Pension Liability	0.110%	0.106%	0.099%
District's proportionate share of the Net Pension Liability	\$ 14,052,129	\$ 14,314,484	\$ 15,150,542
District's covered-employee payroll	\$ 4,441,295	\$ 4,424,541	\$ 4,426,714
District's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	316.4%	323.5%	342.3%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

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>	<u>2016</u>
Statutorily required contributions	\$ 752,446	\$ 794,535	\$ 836,935
Contributions in relation to the Statutorily required contributions	<u>752,446</u>	<u>794,535</u>	<u>836,935</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,426,180	\$ 4,438,370	\$ 4,462,335
Contributions as a percentage of covered-employee payroll	17.00%	17.90%	18.76%

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, 2016

	2016		VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Local Sources				
Property Taxes	\$ 840,000	\$ 853,093	\$ 13,093	\$ 822,244
Earnings on Investments	1,500	1,847	347	13,090
TOTAL REVENUES	<u>841,500</u>	<u>854,940</u>	<u>13,440</u>	<u>835,334</u>
EXPENDITURES				
Debt Service				
Principal	615,000	630,000	(15,000)	590,000
Interest and Fiscal Charges	222,500	188,825	33,675	221,708
Bond Issue Costs	-	-	-	64,508
TOTAL EXPENDITURES	<u>837,500</u>	<u>818,825</u>	<u>18,675</u>	<u>876,216</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,000</u>	<u>36,115</u>	<u>32,115</u>	<u>(40,882)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	2,265,000
Bond Premium	-	-	-	103,030
Payment to Refunding Escrow	-	-	-	(2,303,522)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,508</u>
NET CHANGE IN FUND BALANCE	4,000	36,115	32,115	23,626
FUND BALANCE, Beginning	<u>850,000</u>	<u>1,484,610</u>	<u>634,610</u>	<u>1,460,984</u>
FUND BALANCE, Ending	<u>\$ 854,000</u>	<u>\$ 1,520,725</u>	<u>\$ 666,725</u>	<u>\$ 1,484,610</u>

See the accompanying independent auditors' report.

STRASBURG SCHOOL DISTRICT NO. 31-J

BUILDING FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2016

	2016		VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Local Sources				
Earnings on Investments	\$ 50	\$ 46	\$ (4)	\$ 45
Other Local Revenues	-	1,329	1,329	996
TOTAL REVENUES	50	1,375	1,325	1,041
EXPENDITURES				
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	50	1,375	1,325	1,041
FUND BALANCE, Beginning	90,540	90,549	9	89,508
FUND BALANCE, Ending	\$ 90,590	\$ 91,924	\$ 1,334	\$ 90,549

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, 2016

	BALANCE JULY 1, 2015	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash	\$ 108,704	\$ 351,555	\$ 330,806	\$ 129,453
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES				
Accrued Liabilities -				
Due to Student Groups	\$ 108,704	\$ 351,555	\$ 330,806	\$ 129,453
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See the accompanying independent auditors' report

STATE COMPLIANCE



**JOHN CUTLER
& ASSOCIATES**

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

**INDEPENDENT AUDITORS' REPORT ON ELECTRONIC
FINANCIAL DATA INTEGRITY CHECK FIGURES**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Strasburg School District No. 31-J, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, 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 evaluation 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Strasburg School District No. 31-J's basic financial statements accompanying electronic financial data integrity check figures 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 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 accompanying electronic financial data integrity check figures is fairly stated in all material respects in relation to the financial statements as a whole.

John Luttler & Associates, LLC

December 15, 2016



Colorado Department of Education
Auditors Integrity Report
 District: 0060 - STRASBURG 31J
 Fiscal Year 2015-16
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	2,139,291	8,569,797	8,160,081	2,549,006
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	2,139,291	8,569,797	8,160,081	2,549,006
11 Charter School Fund	37,382	231,342	193,209	75,515
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	11,416	329,396	334,545	6,267
22 Govt Designated-Purpose Grants Fund	0	0	0	0
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	1,484,610	854,940	818,825	1,520,726
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	90,549	1,374	0	91,923
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
Totals	3,763,248	9,986,850	9,506,660	4,243,438
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	108,704	351,555	330,806	129,453
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	108,704	351,555	330,806	129,453

FINAL

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