NORTH CONEJOS SCHOOL DISTRICT RE 1 J

FINANCIAL STATEMENTS

JUNE 30, 2015

NORTH CONEJOS SCHOOL DISTRICT RE-1J

TABLE OF CONTENTS

JUNE 30, 2015

Management's Discussion and Analysis M1-M11

Independent Auditor's Report 1-3

Basic Financial Statements

Government-wide Financial Statements
- Statement of Net Position 4
- Statement of Activities 5

Governmental Fund Financial Statements
- Balance Sheet 6
- Reconciliation of Total Governmental Fund Balances to the Statement of Net Position 7
- Statement of Revenues, Expenditures and Changes in Fund Balances 8
- Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities 9

Proprietary Fund Financial Statements
- Statement of Net Position 10
- Statement of Revenues, Expenses, and Changes in Net Position 11
- Statement of Cash Flows 12

Fiduciary Fund Financial Statement
- Statement of Fiduciary Net Position 13

Notes to the Basic Financial Statements 14

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability- School Division Trust Fund 39

Schedule of District Contributions-School Division Trust Fund 40

Schedules of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual
- General Fund 41

Supplementary Information

Schedules of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual
- Government Designated Fund 44
- Student Activity Fund 45
- Capital Reserve Fund 46

Schedule of Revenues, Expenses and Changes in Net Position- Budget and Actual
- Food Service- Proprietary Fund 47
- Health Insurance Fund 48

Single Audit Section

Schedule of Expenditures of Federal Awards 49

NORTH CONEJOS SCHOOL DISTRICT RE-1J

TABLE OF CONTENTS

JUNE 30, 2015

Independent Auditor's Report on Internal Control Over Financial Reporting an on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards* 50

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 52

Schedule of Findings and Questioned Costs 55

Corrective Action Plan 57

CDE Compliance Section

Colorado School Districts Auditor's Integrity Report 58

NORTH CONEJOS SCHOOL DISTRICT RE 1J

MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUIRED SUPPLEMENTARY INFORMATION

North Conejos School District RE1-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2014

As management of the North Conejos School District, we offer readers of the District's Financial Statements this narrative overview and analysis of the financial activities of North Conejos School District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Financial highlights for the fiscal year ended June 30, 2015, are as follows:

- The District's financial status decreased over the course of the 2015 fiscal year. Total net assets decreased by $182,744 prior to GASB 68 Implementation. Net position for the District is $13,385,678. The final net position after effects of GASB 68 is $2,689,653.

- General Fund Revenues, primarily property taxes, state equalization payments and Federal Funds accounted for $8,001,016 of all revenues.

- The district had $9,124,593 in expenses related to governmental activities.

- Outlays for capital assets were the purchase of ADA compliance initiatives for the North Conejos Alternative Program at 635 Main in La Jara, purchase of lights for the football field at 17890 HWY 285, and one used bus with low mileage, and architect fees for the necessary compliance initiatives for 102 Spruce (bus garage).

- Business-type activities resulted in a decrease in net assets from prior year in the amount of $56,649. Revenues for the Food Service Fund from charges for services and operating grants and contributions were not sufficient to cover expenses in the 2014-15 fiscal year.

GOVERNMENTAL FUNDS:

The District has three governmental funds as determined by Governmental Accounting Standards Board Statement No. 34 (GASB 34). The major funds are the General Fund, Governmental Designated Purpose Fund, and Capital Reserve Fund.

- The General Fund had $8,001,016 in revenues and $7,702,673 in expenditures. The General Fund balance increased from $4,111,374 to $4,324,716. This was an increase of $213,342.

- The Capital Reserve Fund's fund balance decreased from $1,072,710 to $868,715. This is an decrease of $203,995.

- The Governmental Designated Purpose Fund had revenues from Federal and State sources of $464,435 and expenditures of $464,508.

The District has one Business-type fund which is the Food Service Fund.

- The Food Service Fund had $405,999 in revenues plus a $49,248 transfer from General fund. The Food Service Fund had $511,896 in expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: the Management's Discussion and Analysis, the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

- The governmental fund statements tell how basic services such as instruction were financed in the short-term, as well as, what remains for future spending.

- Proprietary Fund statements offer short and long-term financial information about the activities the District operates like businesses, such as nutritional services.

- Fiduciary Fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating respectively.

- To assess the District's overall health, you need to consider additional non financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as; instruction, transportation, maintenance and operations, and administration. The School Finance Act of 1994, as amended, made up of property taxes and state equalization, finance most of these activities.

- Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's nutritional services program is included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-terns debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can he spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term locus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- Fiduciary Funds: The District is the agent, or fiduciary, for assets that belong to others. such as small scholarship funds and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds. The combining statements of the non-major governmental funds are presented after the notes to the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Government-wide Analysis:

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax collection process, the District receives almost 60% of the annual property tax assessment in April, May, and June.

Capital Assets are used in the operation of the District. These assets are land, improvements, buildings, equipment, and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal year 2015. Long-term liabilities such as compensated absences payable will be liquidated from resources that will become available after fiscal year 2015. A comparative analysis is provided.

North Conejos School District RE-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2015

Table I
Condensed Statement of Net Assets
June 30, 2015

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total School District	Total School District
	2014	2015	2014	2015	2014	2015
Assets						
Current Assets	$6,456,886	$6,471,517	$9,675	$40,950	$6,466,561	$6,512,467
Capital Assets	$8,419,085	$8,224,517	$42,719	$39,806	$8,461,804	$8,264,323
Total Assets	$14,875,971	$14,696,034	$52,394	($1,143)	$14,928,365	$14,694,891
Liabilities						
Current	$1,055,722	$987,585	$57,345	$55,263	$143,069	$1,042,848
Long-Term	$150,000	$153,000			$150,000	$153,000
Net Pension Liab		$16,327,262			$1,263,064	$16,327,262
Total Liabilities	**$1,205,724**	***$17,467,847**	**$57,345**	**$55,263**	**$1,359,943**	**$17,523,110**
Decreased in/outflows	$96,874	($138,566)			$96,874	($138,566)
Net Assets						
Invested in Capital	$8,419,085	$8,224,517	$42,719	$39,806	$8,461,804	$8,264,323
Tabor reserve	$223,261	$230,000			$223,261	$230,000
Assigned	$1,192,914	$1,007764			$1,192,914	$1,007,764
Unassigned	$3,738,113	$3,979,803	($47,670)	($96,213)	$3,690,443	$3,883,590
Pension Benefits		($16,075,331)				($16,075,331)
Total Net Assets	$13,573,373	***($2,633,247)	($4,951)	($56,406)	$13,568,422	***($2,689,653)

North Conejos School District RE1J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30,
2015 Table II

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total School District	Total School District
	2014	2015	2014	2015	2014	2015
Revenues						
Program Revenues:						
Charges for Services	$219,567	$212,880	$106,668	$98,296	$326,235	$311,176
Operating Grants & Const	$914,557	$900,844	$318,760	$307,631	$1,133,127	$1,208,475
Capital Grants & Const						
General Revenues						
Property Taxes	$655,688	$657,332	0		$655,688	$657,382
Other Taxes	$132,983	$118,737			$132,983	$118,737
State Equalization	$6,062,069	$6,384,539			$6,062,069	$6,384,539
Interest on Investments	$23,787	$15,408	$88	$72	$23,875	$15,480
Transfers	($169,541)	($49,248)	($169,541)	($49,248)		
Other	$320,255	$389,989			$320,255	$389,989
Total Revenues	$8,159,365	$8,630,481	$595,057	$455,247	$8,754,422	$9,085,728
Expenses						
Instruction	$5,801,483	$5,775,068			$5,801,483	$5,775,068
Student Support Services	$456,403	$448,811			$456,403	$448,811
Instructional Staff	$314,798	$33,4813			$314,798	$334,813
General Administration	$932,907	$51,8324			$932,907	$518,324
Business Supporting						
School Administration	$630,341	$579,654			$630,341	$579,654
Operations &	$740,652	$760,941			$740,652	$760,941
Central Support	$234,085	$242,933			$234,085	$242,933
Student Transportation	$501,057	$429,387			$501,057	
Facility Acquisition/Instruction	$37,232	$34,662			$37,232	
Other			$566,086	$506,702	$566,086	
Total Expenses	$9,648,959	$9,124,593	$566,086	$506,702	10,215,045	$9,631,295
Increase (Decrease) in net Assets	($1,489,594)	($494,112)	$28,971	($51,456)	($1,460,623)	($545,568)

GOVERNMENTAL ACTIVITIES

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal, federal, and state requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

The primary source of operation revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA, the District received $6,622 per funded student. The funded pupil count for fiscal year 2014 was 1001. Funding for the SFA comes from property taxes, specific ownership and state equalization. The District received $6,384,539 of this funding from state equalization while the remaining amounts came from property taxes and specific ownership tax.

The statement of activities shows the cost of program services, the charges for services, and grants off-setting those services. Table III shows, governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted state equalization and property taxes.

Table III
Cost of Services-Governmental Activities
Fiscal Year 2015

	Total Cost- 2014	Total Cost - 2015	Net Cost- 2014	Net Cost –2015
Instructional Staff Support Service	$5,801,483	$5,775,068	($4,987,116)	($4,978,392)
Student Support Service	$456,403	$448,811	(236,836)	($235,931)
Instructional Staff Support Service	$314,798	$334,813	(314,798)	($334,813)
General Admin Support Services	$932,907	$518,324	(932,907)	($518,324)
School Admin Support Service	$630,341	$579,654	(630,341)	($579,654)
Business Support Service				
Operation & Maintenance	$740,652	$760,941	(740,652)	($760,941)
Student Transportation	$501,057	$429,387	(400,867)	($325,220)
Central Support Service	$234,085	$242,933	(234,085)	($242,933)
Facility acquisition/construction	$37,232	$34,662	(37,232)	($34,662)
Other				
Total Expenses	$9,648,959	$9,124,593	($8,514,835)	($8,010,869)

North Conejos School
District REI-J
Management's Discussion
& Analysis
For the Fiscal Year Ended June 30, 2015

BUSINESS-TYPE ACTIVITIES

Business-type activities are made up of the Food Services Fund. The net position for the fiscal year 2015 was beginning of the year ($4,951) to ($56,407) end of year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The NDSD's budget is prepared according to Colorado Law and is based on accounting for certain transactions on the modified accrual basis. Therefore, the District budgets each year for actual salaries for nine and ten month employees based on salaries for the school term of September to May but is paid over a time spanning September to August. The July and August salaries are accrued in the budgeted financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

On June 30, 2015, the District had $ 14,257,024 invested in sites, land improvements, buildings, equipment and vehicles: which was used in governmental activities. Table IV shows the investment in capital assets net of depreciation expense for governmental activities and business-type activities.

Table IV
Capital Assets at June 30, 2015
(Net of Depreciation)

	Governmental Activities 2014	Governmental Activities 2015	Business-Type Activities 2014	Business-Type Activities 2015	Total School District 2014	Total School District 2015
Sites	$384,995	$348,995			$348,995	$348,995
Construction in Progress	$2,500	0			$2,500	0
Land Improvements	$1,346,116	$1,474,592			$1,346,116	$1,474,592
Buildings	$9,839,332	$9,844,322			$9,839,332	$9,844,332
Equipment	$1,019,795	$1,019,795	$173,110	$181,891	$1,193,305	$1,201,686
Vehicles	$1,362,419	$1,387,419			$1,362,419	$1,387,419
Depreciation	($5,500,072)	(5,850,616)	($130,791)	($142,085)	($5,630,863)	($5,992,701)
Totals	$8,419,085	$8,224,577	$42,719	$39,806	$8,461,804	$8,264,323

For the Fiscal Year Ended June 30, 2015 LONG-TERM DEBT as of June 30. 2015, the District had $153,000 in total long-term debt. Of this amount $153,000 is due within one year. Table V details the outstanding debt and the portion due within one year for the District. Compensated absences of $153,000 are considered paid when used or when it is bought back upon an employee retiring or resigning.

Table V Outstanding Debt
Current and Total at June 30,2015

	Governmental Activities		Governmental Activities	
	Due Within One Year/Total Debt		Due Within One Year/Total Debt	
	2014		2015	
General Obligation Bonds				
Early Retirement Bonus Payable	-	150,000		153,000
Totals	-	$150,000		$153,000

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial reports were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

* Maintaining staff and programs while encountering continued declining student enrollment.
* Preparing to cut cost in areas other than staff reduction to prepare for current and future funding cuts of %10 being projected by CDE. Maintaining an annual excess of revenues while
* Receiving less in state equalization.
* Maintaining a fund balance in excess of 3 million dollars while adjusting for higher transportation and energy costs, and employee benefit costs.
* Maintaining a fund balance while adjusting to higher maintain costs on aging buildings.

North Conejos School District RE-1J
Management's Discussion & Analysis For
the Fiscal Year Ending June 30, 2015

CONTACT THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizen, taxpayers, parents, Investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Superintendent's Office at PO Box 72 La Jara, CO 81140.

Lisa A. Sandoval
Certified Public Accountant
13486 CR 17, La Jara, CO 81140
(719) 580-8792
rl.sandoval@yahoo.com

INDEPENDENT AUDITOR'S REPORT

Board of Education
North Conejos School District RE 1J
La Jara, Colorado 81140

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Conejos School District RE 1J (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows 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, schedules of pension activity and budgetary comparison information on pages M1-M11 and pages 39-43 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 and the Colorado school district auditor's integrity report are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The individual fund financial statements and schedules, the schedule of expenditures of federal awards and the Colorado school district auditor's integrity report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to

the underlying accounting and other records used to prepare the basic financial statements or to the basic 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, the schedule of expenditures of federal awards and the Colorado school district auditor's integrity report are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14 , 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Districts's internal control over financial reporting and compliance.

Lisa A. Sandoval, CPA

Lisa A. Sandoval
Certified Public Accountant
La Jara, Colorado

November 14, 2015

NORTH CONEJOS SCHOOL DISTRICT RE 1J

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all government-wide and fund level activity as of June 30, 2015.

NORTH CONEJOS SCHOOL DISTRICT RE-IJ

STATEMENT OF NET POSITION

AS OF JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Current Year Totals
ASSETS			
Cash and investments	$ 5,906,106	$ 28,077	$ 5,934,183
Due from other governments	333,828	-	333,828
Accounts receivable	15,599	3,255	18,853
Internal balances	76,463	(76,463)	-
Prepaid Expenses	54,810	-	54,810
Accrued interest receivable	613	-	613
Property tax receivable	84,099	-	84,099
Inventory	-	4,181	4,181
Land	348,995	-	348,995
Land Improvements	1,474,592	-	1,474,592
Buildings	9,844,332	-	9,844,332
Equipment and vehicles	2,407,214	181,891	2,589,105
Accumulated depreciation	(5,850,616)	(142,085)	(5,992,701)
Total assets	$ 14,696,034	$ (1,143)	$ 14,694,891
LIABILITIES			
Accounts payable	$ (108)	$ -	$ (108)
Incurred but unreported medical claims	47,127	-	47,127
Net pension liability	16,327,262	-	16,327,262
Accrued salaries and benefits	940,566	55,263	995,829
Due in more than one year	153,000	-	153,000
Total liabilities	17,467,847	55,263	17,523,110
DEFERRED INFLOWS (OUTFLOWS) OF RESOURCES			
Unavailable revenue from property taxes	84,099	-	84,099
Deferred inflows of pension resources	559,693	-	559,693
Deferred outflows of pension resources	(811,624)	-	(811,624)
Deferred grant revenue	29,266	-	29,266
Total deferred inflows	(138,566)	-	(138,566)
NET POSITION			
Net investment in capital assets	8,224,517	39,806	8,264,323
Restricted for:			
Special revenue	138,500	-	138,500
Capital projects	868,715	-	868,715
TABOR emergency reserve	230,000	-	230,000
Pension Benefits	(16,075,331)	-	(16,075,331)
Unrestricted	3,980,352	(96,213)	3,884,140
Total net position	$ (2,633,247)	$ (56,406)	$ (2,689,653)

The accompanying notes are an integral part of this financial statement.

NORTH CONEJOS SCHOOL DISTRICT RE-IJ

STATEMENT OF ACTIVITIES

AS OF JUNE 30, 2015

Function/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Current Year Total
Governmental activities:						
Instructional program	$ 5,775,617	$ -	$ 796,676	$ (4,978,941)	$ -	$ (4,978,941)
Supporting services						
Students	448,811	212,880	-	(235,931)	-	(235,931)
Instructional staff	334,813	-	-	(334,813)	-	(334,813)
General administration	517,775	-	-	(517,775)	-	(517,775)
School administration	579,654	-	-	(579,654)	-	(579,654)
Operations and maintenance			-	-		-
of plant services	760,941	-	-	(760,941)	-	(760,941)
Student transportation services	429,387	-	104,168	(325,220)	-	(325,220)
Central supporting services	242,933	-	-	(242,933)	-	(242,933)
Facility acquisition and construction	34,662	-	-	(34,662)	-	(34,662)
Total governmental activities	9,124,593	212,880	900,844	(8,010,869)	-	(8,010,869)
Business-type activities:						
Food Services	506,702	98,296	307,631	-	(100,775)	(100,775)
Total school district	$ 9,631,295	$ 311,175	$ 1,208,475	(8,010,869)	(100,775)	(8,111,645)
		General revenues				
		Taxes:				
		Property taxes		657,332	-	657,332
		Specific ownership taxes		118,737	-	118,737
		State equalization aid		6,384,539	-	6,384,539
		Unrestricted investment earnings		15,408	72	15,480
		Transfers		(49,248)	49,248	-
		Other revenues		389,989	-	389,989
		Total general revenues		7,516,757	49,320	7,566,077
		Change in net position		(494,112)	(51,456)	(545,568)
		Net position, beginning		(2,139,135)	(4,951)	(2,144,086)
		Net position, end		$ (2,633,247)	$ (56,407)	$ (2,689,654)

The accompanying notes are an integral part of this financial statement

NORTH CONEJOS SCHOOL DISTRICT RE-1J

BALANCE SHEET

JUNE 30, 2015

	General Fund	Government Designated Fund	Student Activity Fund	Capital Reserve Fund	Total Governmental Funds
ASSETS					
Cash and investments	$ 4,872,229	$ 27,039	$ 138,123	$ 868,715	$ 5,906,106
Due from other governments	287,828	46,000	-	-	333,828
Due from other funds	84,987	9,764	-	-	94,751
Accrued interest receivable	613	-	-	-	613
Property tax receivable	84,099	-	-	-	84,099
Total Assets	$ 5,329,756	$ 82,803	$ 138,123	$ 868,715	$ 6,419,397
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
LIABILITIES					
Accounts payable	-	(108)	-	-	(108)
Due to other funds	29,764	3,330	-	-	33,094
Accrued salaries and benefits	890,628	49,937	-	-	940,566
Total Liabilities	920,392	53,160	-	-	973,552
DEFERRED INFLOWS OF RESOURCES					
Deferred property tax revenue	84,099	-	-	-	84,099
Deferred grant revenue	-	29,266	-	-	29,266
Total deferred inflows of resources	84,099	29,266	-	-	113,365
FUND BALANCE					
Restricted for:					
Special revenue	-	378	138,123	-	138,500
Capital projects	-			868,715	868,715
TABOR emergency reserve	230,000				230,000
Unassigned	4,095,265				4,095,265
Total Fund Balance	4,325,265	378	138,123	868,715	5,332,480
Total liabilities, deferred inflows, and fund balance	$ 5,329,756	$ 82,803	$ 138,123	$ 868,715	$ 6,419,397

The accompanying notes are an integral part of this financial statement.

NORTH CONEJOS SCHOOL DISTRICT RE-1J

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total governmental fund balance		$ 5,332,480
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. The **cost of the assets** are:	14,075,133	
and the **accumulated depreciation** is:	(5,850,616)	
		8,224,517
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension liability		(16,327,262)
Deferred outflows and inflows or resources related to pensions are applicable to future period and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions of $375,474 deferred outflows of resources pension expense + $436,150 deferred outflow of 2015 employer contributions related to pensions.		811,624
Deferred inflows of resources related to pensions		(559,693)
Internal Service Funds are used by managmetn to garge the costs of self-insurance ot the individual funds. The assets and liabilities of these funds are included in the governmental activities in the statement of net posistion.		38,088
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.		
Early retirement bonus payable		(153,000)
Total net position- governmental activities		$ (2,633,246)

The accompanying notes are an integral part of this financial statement.

NORTH CONEJOS SCHOOL DISTRICT RE-1J

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Government Designated Fund	Student Activity Fund	Capital Reserve Fund	Total Governmental Funds
REVENUES					
Local sources	$ 923,352	$ -	$ 213,114	$ 1,165	$ 1,137,630
State sources	6,817,998	84,666	-	-	6,902,664
Federal sources	259,666	379,768	-	-	639,434
Total revenues	8,001,016	464,435	213,114	1,165	8,679,728
EXPENDITURES					
Instructional program	4,809,217	465,057	-	-	5,274,274
Student supporting services	209,616	-	239,195	-	448,811
Instructional staff supporting services	309,539	-	-	25,274	334,813
General administration supporting services	515,675	-	-	-	515,675
School administration supporting services	576,654	-	-	-	576,654
Operations and maintenance of plant services	658,372	-	-	-	658,372
Student transportation services	380,119	-	-	-	380,119
Central Supporting services	242,933	-	-	-	242,933
Facility acquisition and construction	-	-	-	170,638	170,638
Total expenditures	7,702,124	465,057	239,195	195,911	8,602,288
Net change in fund balance	298,891	(622)	(26,081)	(194,747)	77,441
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	(85,000)	-	45,000	(9,248)	(49,248)
Total other financing sources (uses)	(85,000)	-	45,000	(9,248)	(49,248)
Excess (deficiency) of revenues over expenditures (uses)	213,891	(622)	18,919	(203,995)	28,193
Fund balance- beginning of year	4,111,374	1,000	119,204	1,072,710	5,304,288
Fund balances- end of year	$ 4,325,265	$ 378	$ 138,123	$ 868,715	$ 5,332,481

The accompanying notes are an integral part of this financial statement.

NORTH CONEJOS SCHOOL DISTRICT RE-IJ

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS OT THE STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED JUNE 30,2015

Net change in fund balances- governmental funds		$ 28,193
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than $5,000 are capitalized and the cost is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Fixed asset additions	155,976	
Depreciation expense	(350,544)	
		(194,568)
Governmental funds report district **pension contributions** as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Direct Pension contributions		
Costs of benefits earned net of employee contributions		(362,824)
Internal Service Funds are used by managmeent to charge the costs of health insurance funds. The net revenue or loss of these services is reported with governmental activities.		38,087
Additional obligations to the **early retirement bonus** is not treated as an expenditure in the governmental funds		(3,000)
Change in net position of governmental activities		$ (494,112)

The accompanying notes are an integral part of this financial statement.

NORTH CONEJOS SCHOOL DISTRICT RE-1J

STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF JUNE 30, 2015

	Business -Type Activity	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Food Service Fund	Health Insurance Fund
ASSETS		
Current assets		
Cash and investments	$ 28,077	$ -
Accounts receivable	3,255	15,599
Prepaid Expenses	-	54,810
Inventory	4,181	-
Total current assets	35,513	70,408
Capital assets		
Machinery and equipment	181,891	-
Accumulated depreciation	(142,085)	-
Total capital assets	39,806	-
Total assets	$ 75,320	$ 70,408
LIABILITIES		
Current liabilities		
Due to/(from) other funds	81,657	(20,000)
Incurred but not reported medical claims	-	47,127
Accrued salaries and benefits	55,263	-
Total liabilities	136,920	27,127
NET POSITION		
Net investment in capital assets	39,806	-
Unrestricted	(101,407)	43,281
Total net position	(61,600)	$ 43,281
Adjustments		
Reflects the consolidation of Internal Service Fund activities related to Enterprise Funds	5,194	
NET POSITION OF BUSINESS-TYPE ACTIVITIES	$ (56,406)	

The accompanying notes are an integral part of this financial statement.

NORTH CONEJOS SCHOOL DISTRICT RE-IJ

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	Business -Type Activity	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Food Services	Health Insurance Fund
OPERATING REVENUE		
Charges for services	$ -	$ 765,640
Food sales	98,296	-
Total operating revenue	98,296	765,640
OPERATING EXPENSES		
Salaries	204,412	-
Fringe Benefits	126,115	-
Food and commodities	160,742	-
Purchased property services	-	-
Other purchased services	78	722,359
Nonfood supplies	8,388	-
Small equipment	5,808	-
Depreciation	6,353	-
Total operating expenses	511,896	722,359
Operating income (loss)	(413,600)	43,281
NONOPERATING REVENUE (EXPENSE)		
Interest income	72	-
Federal Breakfast and School Lunch Program	273,136	-
State reimbursement	10,741	-
USDA donated food	23,754	-
Total nonoperating revenue (expense)	307,703	-
Income (loss) before operating transfers	(105,897)	43,281
Transfers in	49,248	-
Change in net position	(56,649)	43,281
Total net position- beginning of year	(4,951)	-
Total net position- end of year	(61,600)	$ 43,281
Change in net position	(56,649)	
Adjustment		
Reflects the consolidation of Internal Service Fund activities related to Enterprise Fund	5,194	
Changes in net position of business-type activities	$ (51,456)	

The accompanying notes are an integral part of this financial statement.

NORTH CONEJOS SCHOOL DISTRICT RE-1J

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

	Business -Type Activity	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Food Services	Health Insurance Fund
Cash flows from operating activities		
Cash received from customers and others	$ 96,318	$ 750,041
Payments for goods and services	(154,477)	(730,041)
Payments for salaries and benefits	(332,610)	-
Net cash received from (used for) operating activities	(390,768)	20,000
Cash flows from noncapital financing activities		
Food reimbursements	283,877	-
Capital and operating transfers from other funds	49,248	-
Advance due to/(from) General Fund	81,657	(20,000)
Net cash received from (used for) noncapital financing activities	414,782	(20,000)
Cash flows from capital and related financing activities	-	-
Net cash used for capital and related financing activities	-	-
Cash flows from investing activities		
Purchase /disposal of equipment	(3,441)	-
Earnings on investments	72	-
Net cash received from investing activities	(3,369)	-
Net increase (decrease) in cash	20,645	(0)
Cash beginning of year	7,432	-
Cash end of year	$ 28,077	$ (0)
Reconciliation of operating income(loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (413,600)	$ 43,281
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	6,353	-
Commodities used	23,754	-
(Increase) decrease in :		
Receivables	(1,977)	(15,599)
Prepaids	-	(54,810)
Inventories	(3,215)	-
Increase (decrease) in:		
IBNR	-	47,127
Accrued salaries and benefits	(2,082)	-
Net cash provided by operating activities	$ (390,768)	$ 20,000
Noncash noncapital financing activities		
During the fiscal year, the District received food commodities from the U.S. Department of Agriculture through the Colorado Department of Education.	$ 23,754	$ -

The accompanying notes are an integral part of this financial statement.

NORTH CONEJOS SCHOOL DISTRICT RE-IJ

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSTION

AS OF JUNE 30, 2015

	Trust & Agency Fund
ASSETS	
Cash in bank	$ 27,764
Total assets	$ 27,764
LIABILITIES	
Scholarship fund	$ 27,764

The accompanying notes are an integral part of this financial statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United State of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

Reporting Entity

North Conejos School District RE 1J is a public school as established by Colorado State Statute. The District is declared to be a corporate body with perpetual existence and in its name may hold property, sue and be sued, and be a party to contracts for any purpose authorized by law. Members of the school board are voted on at large by the registered, qualified electors of the District. Taxes are levied upon all taxable property within the District's boundaries by the County Commissioners. The County Treasurer collects the taxes and submits them to the school district. The school also receives State and Federal funds. The school board has the authority to issue bonds up to 20% of the latest assessed valuation of the taxable property in the district. The board also has authority to select the depository of school funds and acquire short term loans.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codifications of Governmental Accounting and Financial Reporting Standards* include whether:

- The Organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organizations is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District

Based on the aforementioned criteria, the North Conejos School District RE 1J has no component units.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements

Financial information of the School District is presented as follows.

• *Management's Discussion and Analysis*: introduces the basic financial statements and provides an analytical overview of the District's financial activities.

• *Basic Financial Statements*: Government-wide financial statements consist of a statement of net position and a statement of activities. For the most part, the effect of interfund activity has been removed from these statements.

These statements report information on all of the non-fiduciary activities of the District. 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 fiduciary funds of the primary government are not included in the government-wide financial statements; however, separate financial statements are presented.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and
- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds, even though the fiduciary funds are excluded from the Government-wide Financial Statements. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as a separate column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues included 1) charges to customers or applicants for goods, services or privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. The District considers revenues to be available if they collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Taxpayer-assessed income and gross receipts are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reduction of revenue when they are measurable and their validity seems certain.

Property taxes are reported as receivables and deferred inflows of resources when levied and as revenue when collection is available.

Expenditures-driven grants recognize revenue when the qualifying expenditures have been incurred and other grant requirements have been met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District reports the following major governmental funds:

The ***General Fund*** is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Governmental Designated-Purposes Fund*** is used to record financial transactions for grants received for designated programs funded by federal, state, or local governments.

The ***Student Activity Fund*** is used to account for monies received from the community for the student activities.

The ***Capital Reserve Fund*** is used to account for the acquisition of sites, buildings, equipment, and vehicles.

Proprietary Funds

- **Enterprise Fund:**
  The ***Food Service Fund*** is used to account for the operations of the school breakfast and lunch programs.
- **Internal Service Fund:**
  The ***Self Insurance Fund*** is used to account for the health insurance plan provided by the District to its employees. The premiums charged are allocated to the District funds that employ those covered by the health insurance plan.

The proprietary fund financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The District's only Proprietary Fund is the Food Service Fund, used to account for the District's food service program. Revenues are derived from District contributions and student and adult charges. Expenses include the cost of sales and services, administrative expenses and depreciation on capital assets.

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasized the determination of net income. All assets and all liabilities associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operation. The principal operating revenues of the District's proprietary funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Fund

Fiduciary Fund Financial Statements consist of the Trust and Agency Fund established to record transactions relating to assets held by the District in a trustee capacity or as an agent for student organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Assets, Liabilities, Deferred Inflows or Resources, and Net Position/Fund Balance:

Capital Assets

Capital assets, which include land, land improvements, buildings, equipment vehicles and construction in progress, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets in governmental funds. The District does capitalize interest on the construction of capital assets in business-type activities.

The monetary threshold for capitalization of assets is $5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (3-75 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition.

Assets	Years
Land Improvements	10-20
Buildings	5-75
Equipment	3-20
Vehicles	10

GASB No. 34 requires the District to report and depreciate new infrastructure assets. Infrastructure assets include parking lots, sidewalks, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. There have been no additions to infrastructure assets, since the implementation of GASB No. 34.

Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. The District records long-term debt of government funds at the face value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances

The District records purchase orders in the accounting system. Unfulfilled purchase commitments outstanding at the end of the budget year are re-budgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as assigned fund balance.

Inventories

Purchased inventories in the food services fund are stated at cost and consist of supplies and food to be used within one year. Donated inventory is priced at the U.S. Department of Agriculture established values.

USDA commodities

The Food Services Fund receives, from the U.S. Department of Agriculture, donated commodities to use in meal preparation. The value of these commodities received during the year is shown as income, and the value of commodities used is shown as food expense.

Property Taxes Receivable

Property taxes attach as an enforceable lien as of January 1. Taxes are levied and payable in two installments on February 28 and June 15 or in full by April 30. The School District's property taxes are collected by the Conejos County Treasurer who remits monthly receipts to the District. Property tax revenue is recognized when received by the County Treasurer.

Receivables/Payables From Other District Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To / From Other Funds."

Cash and Cash Equivalents

For purposes of the Statement of cash flows, the Food Service Fund considers cash in the bank and highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Fund Equity and Net Position

In the government wide financial statement, net position represents the difference between assets, deferred outflows of resources, liabilities, and in the government-wide financial statements deferred inflows of resources. Net position is displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity and Net Position (continued)

deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.

- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of asses, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund balance for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. For the classification of fund balances, the District considers amounts to have been spent when expenditure is incurred for purposes for which fund balance is both available and can be used. In accordance with GASB Statement 54, the fund balances of the District are classified into the following categories: nonspendable, restricted, committed, assigned or unassigned.

- *Nonspendable fund balance* includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact, including items that are not expected to be converted to cash.
- *Restricted fund balance* includes amounts where constraints have been placed on the use of resources by either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* includes amounts that can only be used for specific purposes pursuant to constraints imposed by the District. Committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of formal action (for example, resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity and Net Position (continued)

- *Assigned fund balance* includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The District has delegated the authority to assign amounts to be used for specific purposes to the Board.
- *Unassigned fund balance* represents residual fund balance that has not been restricted, committed or assigned.

It is the District's policy to use restricted amounts first, then committed, then assigned, and then unassigned, as they are needed.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Compensate Absences

Teachers and administrative staff of the District receive ten days each contract year for sick leave. Classified staff receives seven days. Sick leave may accumulate up to 60 days; any earned over 60 days is paid in June of each year. If an employee retires from the District, accumulated sick pay is paid at the current substitute's rate. If an employee resigns or is terminated, any accumulated sick pay is lost. A liability for accrued personal leave is not recorded in the financial statements. The amount is not considered to be material in relation to the financial statements taken as a whole.

Deferred Inflow of Resources

In addition to liabilities, the statement of net position reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Grant funds received in excess of grant expenditures are recorded as deferred grant revenues.

New Accounting Standards

The District has adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2015:

- GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*- An amendment of GASB Statements No. 27- and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* It is effective for the year ending June 30, 2015.

NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING

North Conejos School District follows the procedures set forth in the Colorado School District Budget Law when preparing annual budgets for each fund. Budget Procedures include:

1) Preparation of budget documents by administrative staff which shall be submitted to the Board no later than June 1 of each year.
2) Publication of a notice stating that the budget is available for public inspection.
3) Discussion of the budget in a meeting open to the public.
4) Adoption of the budget in a public meeting by appropriate resolution.

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted by the Superintendent and/or the Board of Education and as finally amended.

NOTE 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes reconciliation between *fund balances –total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis were eliminated from the government fund statements during the consolidation of governmental activities.

	Items Eliminated	
	Due From Other Funds	Due to Other Funds
General Fund	$ 84,987	$ 29,764
Special Revenue Government Designated Fund	9,764	3,330
Health Insurance Fund	20,000	-
Food Service Fund	-	81,657
Totals	$114,751	$114,751

NOTE 4 CASH, DEPOSITS AND INVESTMENTS

Colorado statutes specify investments instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

A) A summary of Cash and Investments for the District are as follows:

	Bank Balance
Deposits covered by federal insurance	$ 1,038,058
Deposits collateralized in institution pools	3,939,112
COLOTRUST Investments	1,246,793
Subtotal	6,223,963
Less: Outstanding Items	(262,240)
Less: Amounts related to Trust and Agency Fund	(27,764)
Add: Petty cash	224
Total cash, deposits & investments on Statement of Net Assets	$ 5,934,183

Colorado State Statutes govern the District's deposits of cash. The statues specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA), require that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds 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 the aggregate uninsured deposits.

B) Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned to it. There is no custodial risk for public deposits collateralized under PDPA. As of year-end,

NOTE 4 CASH, DEPOSITS AND INVESTMENTS (continued)

none of the district's bank balances were exposed to custodial credit risk. All of the funds were covered by federal insurance or PDPA. The district does not have a deposit policy for custodial credit risk.

C) Custodial Credit Risk - Investments

The District does not have an investment policy that calls for diversification within the portfolio to avoid unreasonable risk inherent in over investing in specific instruments, individual financial institutions, or maturities. As of June 30, 2015, the local government investment pools (ColoTrust) in which the District had invested were rated AAA by Standard & Poor's, Fitch, and Moody's.

NOTE 5 PROPERTY TAXES RECEIVABLE

At June 30, 2015 the District had an estimate property tax receivable of approximately $84,099 from the mill levy of December 2014.

NOTE 6 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. It also includes property taxes collected by the county treasurer that have not yet been remitted to the District.

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANFERS

Interfund Receivables/Payables

The District reports interfund balances between many of its funds. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

Interfund receivable and payable balances at June 30, 2015 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Government Designated Purpose Fund	$ 3,330
General Fund	Food Service Fund	81,657
Health Insurance Fund	General Fund	20,000
Government Designated Purpose Fund	General Fund	9,764
Total		$ 114,751

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANFERS (continued)

These balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund Transfers

Interfund transfers for the year ended June 30, 2015 were as follows:

Transfer In	Transfer Out	Amount
Food Service Fund	General Fund	$ 40,000
Activity Fund	General Fund	45,000
Food Service Fund	Capital Reserve Fund	9,248
Total		$ 94,248

These transfers were made to subsidize the Food Service Fund and student activity funds.

NOTE 8 ACCRUED SALARIES AND BENEFITS

The teachers, administrators, and the administrative staff are employed under nine, ten and eleven month contracts. All District employees are paid on a twelve-month basis, therefore, a difference exists between the actual amount of salaries earned under the contract and the amount paid. The difference between salaries earned and paid, including the District's share of benefits, has been accrued in the financial statements in the amount of $995,829.

NOTE 9 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Governmental Activities:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 348,995	$ -	$ -	$ 348,995
Construction in progress	2,500	2,500	(5,000)	-
	351,495	2,500	(5,000)	348,995
Capital assets being depreciated:				
Land Improvements	1,346,116	128,476	-	1,474,592
Buildings	9,839,332	5,000	-	9,844,332
Equipment	1,019,795	-	-	1,019,795
Vehicles	1,362,419	25,000	-	1,387,419
Total capital assets	13,567,662	158,476	-	13,726,138
Less: accumulated depreciation	5,500,072	350,544	-	5,850,616
Total capital assets being depreciated, net	$ 8,067,590	$ (192,068)	$ -	$7,875,522
Capital assets net governmental activities	$ 8,419,085	$ (189,568)	$ (5,000)	$8,224,517

Business – Type Activities

A summary of changes in Food Services Fund capital assets is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Equipment	$ 173,510	$ 9,248	$ (867)	$ 181,891
Less: Accumulated depreciation	(130,791)	(12,289)	995	(142,085)
Business-type activities capital assets, net	$ 42,719	$ (3,041)	$ 128	$ 39,806

NOTE 9 CAPITAL ASSETS (continued)

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

Governmental activities:	
Instructional Program	$ 171,607
Operations and maintenance of plant services	102,569
General amdinistration supporting services	2,100
Student transportation services	74,268
Total deprecieation expense- governmental activities	$ 350,544
Business-type activities:	
Food services	$ 6,353
Total deprecitaion expense- business-type activities	$ 6,353

NOTE 10 LONG TERM DEBT

The District adopted a Voluntary, Early Retirement of Professional Staff Members programs Administrators, counselors, teachers, and all other personnel that meet the eligibility requirements of the program shall be awarded an early retirement bonus in accordance with the terms and conditions of this policy. The estimated liability at June 30, 2015 for the Voluntary, Early Retirement of Professional Staff Members programs is $153,000.

Long-term liability balances for the year ended June 30, 2015 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Early retirement bonus	$ 150,000	$ 9,000	$ 6,000	$ 153,000
Totals	$ 150,000	$ 9,000	$ 6,000	$ 153,000

NOTE 11 DEFINED BENEFIT PENSION PLAN

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

NOTE 11 DEFINED BENEFIT PENSION PLAN (continued)

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 District 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.

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

NOTE 11 DEFINED BENEFIT PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

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 District 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[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]	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	3.50%	4.00%
Total Employer Contribution Rate to the SCHDTF[1]	16.43%	17.33%

[1]Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

NOTE 11 DEFINED BENEFIT PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were $829,170 for the year ended December 31, 2014.

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

At June 30, 2015, the District reported a liability of $16,327,262 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 District's proportion of the net pension liability was based on the District'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 District's proportion was .1204665369 percent, which was a decrease of .0060001404 from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $1,414,323. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	(1,219)
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	375,474	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	N/A
Total	375,474	(1,219)

NOTE 11 DEFINED BENEFIT PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

$-0- 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:

Year ended June 30, 2015:	
June 30,2016	$ 93,417
June 30,2017	$ 93,417
June 30,2018	$ 93,553
June 30,2019	$ 93,868
June 30,2020	$ -
Thereafter	$ -

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 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
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.

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

NOTE 11 DEFINED BENEFIT PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

(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:

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%.

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 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.

NOTE 11 DEFINED BENEFIT PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

Sensitivity of the District'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	$ 21,528,987	$16,627,262	$11,973,330

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.

Payables to the pension plan

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description - Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the District does not match employee contributions. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2015, program members contributed $23,000 for the Voluntary Investment Program.

NOTE 11 DEFINED BENEFIT PENSION PLAN (continued)

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The District 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 District 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 District 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. The District's contributions to HCTF were equal to their required contributions for the years ending June 30, 2015, June 30,2014 and June 30,2013, and are included in the contributions for the defined benefit plan.

NOTE 12 JOINT VENTURE

The district participates in the following entities. These joint ventures do not meet the criteria for inclusion within the reporting entity because the following entities are:

- financially independent and responsible for its own financing deficits and entitled to its own surpluses
- has a separate governing board from that of the District
- has a separate management which is responsible for day-to-day operations and is accountable to the separate governing board
- the governing board and management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome for disposition of matters affecting the recipients of services provided, and
- has absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

NOTE 12 JOINT VENTURE (continued)

San Luis Valley Board of Cooperative Services (BOCS)

The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is approximately 7% at June 30, 2015. Complete financial statements can be obtained from the BOCS.

NOTE 13 TABOR EMERGENCY RESERVES

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 governments. The Amendment is complex and subject to judicial interpretation.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On November 5, 1996 voters approved a ballot which stated that the District is authorized to collect, retain and expend all revenues including grants and other funds collected during 1996 and each subsequent year from any source, not-with-standing the limitations of Article X, Section 20 of the Colorado Constitution, effective January 1, 1996, provided, however, that no property tax mill levy be increased at any time nor shall any new tax be imposed without the prior approval of the voters.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3 percent of fiscal year spending in 2014. This Emergency Reserve has been presented as a restriction of fund balance in the General Fund. The entity is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Grant Programs – The District participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

NOTE 15 RISK MANAGEMENT (CONTINUED)

Health Insurance Fund

As of July 1, 2014, the District established a self-funded health benefit program for its employees. The benefit programs administrator, CIGNA, is responsible for the approval, processing and payment of claims. The District is remits monthly payments to the administrator for claims, administrative and stop-loss costs. The benefit program reports on a fiscal year ending June, 30. The program is accounted for in the Health Insurance Fund of the District. The District has purchased stop loss coverage for amounts in excess of $30,000 per individual and aggregate coverage subject to a 120% corridor and cumulative attachment limits calculated each month.

All known claims and estimated claims incurred but not reported have been accrued as a liability. District liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on complex factors and estimates, the process used in computing a claim liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other factors. At year end, the District has a liability of $47,127 which represents reported and unreported claims that were incurred on or before year-end, but which were not paid by the District as of that date. Claims activity is summarized below:

	Health Benefit
Unpaid Claims- July 1, 2014	$ -
Claims Incurred, Changes in Estimates and other Charges	424,815
Payments on Claims	(377,688)
Unpaid Claims- June 30, 2015	$ 47,127

NOTE 16 CHANGES IN FIDUCIARY FUNDS

The following is a summary of the Trust & Agency Fund transactions for the year ended June 30, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance
Assets				
Cash	$ 29,216	$ 6,048	$ (7,500)	$ 27,764
Total Assets	$ 29,216	$ 6,048	$ (7,500)	$ 27,764
Liabilities				
Due to scholarship fund	$ 29,216	$ 6,048	$ (7,500)	$ 27,764
Total Liabilities	$ 29,216	$ 6,048	$ (7,500)	$ 27,764

NOTE 17 SUBSEQUENT EVENTS

The North Conejos School District is subject to the provisions of FASB ASC 855-10-50, *Subsequent Events*, which establishes a requirement for disclosing the date through which subsequent events have been evaluated, as well as whether that date is the date of the financial statements, were issued or the date the financial statements were available to be issued. The North Conejos School District has evaluated subsequent events through November 14, 2015, the date the financial statements were available to be issued.

NOTE 18 STEWARDSHIP AND POSSIBLE VIOLATION OF STATE STATUTES

Colorado Local Government Budget Law requires that appropriations not exceed that amount provides in the District Budget. During FY15, the Food Service Fund had an excess of expenditures over the amounts budgeted to the extent of $63,396.

Colorado Local Government Budget Law requires that no budget shall provide for expenditures in excess of available revenues and beginning fund balance. The Food Services had a deficit fund balance of ($61,600).

Budgets were not adopted for the following funds for FY2015: Internal Service Fund, Capital Reserve Fund and Activity Fund. Per Colorado Department of Education Financial Policies and Procedures Handbook all funds must be budgeted for. If a budget is not adopted, then 90% of the prior year's budget is to be utilized for the current year. Therefore, the budgeted figures depicted in the Supplementary section for the Capital Reserve and Activity funds were calculated as 90% of the FY14 budget. However, the Internal Reserve Fund was established in FY15 and therefore had no prior budget or current budget.

NOTE 19 PRIOR PERIOD ADJUSTMENT

		Governmental Activities
Beginning net position as previously reported at June 30, 2014	$	13,573,373
Prior period adjustment- Implementation GASB 68:		
Net pension liability		(16,130,791)
Deferred outflows- District contributions made January 2014- June 2014		418,283
Total prior period adjustment		(15,712,508)
Net position as restated, July 1, 2014	$	(2,139,135)

NORTH CONEJOS SCHOOL DISTRICT RE 1J

REQUIRED SUPPLEMENTARY INFORMATION

GASB 68 requires the presentation of pension information regarding the District's proportionate share of the net pension liability and a schedule of District pension contributions.

In addition to the basic financial statements, a budgetary comparison schedule is required to the General Fund and, if applicable, each of the District's major special revenue funds.

NORTH CONEJOS SCHOOL DISTRICT RE-1J

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL DIVISION TRUST FUND PERA PENSION PLAN
Last 10 Fiscal Years*

	2014	2013
District's proportion of the net pension liability (asset)	0.1204665369%	0.1264666773%
District's proportionate share of the net pension liability (asset)	$ 16,327,262	$ 16,130,791
District's covered-employee payroll	$ 5,046,683	$ 5,098,028
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	323.52%	316.41%
Plan fiduciary net position as a percentage of the total pension liability	62.84%	64.07%

*The amounts presented for each fiscal year were determined as of the calendar year-end that ocurred withing the fiscal year. Presentation of data began with implementation in FY15 and will accumulate thereafter to the prescribed 10 year requirement.

NORTH CONEJOS SCHOOL DISTRICT RE-1J

SCHEDULE OF REQURIED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND PERA PENSION PLAN
Last 10 Fiscal Years*

	FY2015	FY2014
Contractually required contribution	$ 898,308	$ 887,698
Contributions in relation to the contractually required contribution	(898,378)	(888,335)
Contribution deficiency (excess)	$ (71)	$ (637)
District's covered-employee payroll	$ 5,018,478	$ 5,221,755
Contributions as a percentage of covered-employee payroll	-17.90%	-17.01%

*Presentation of data began with implementation in FY15 and will accumulate thereafter to the prescribed 10 year requirement.

NORTH CONEJOS SCHOOL DISTRICT RE-1J

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND ACHANGES IN FUND BALANCE

BUDGET (GAAP) AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Final to Actual
REVENUES				
Local Sources				
Property taxes, net	$ 664,650	$ 664,650	$ 657,332	$ (7,318)
Specific ownership taxes	98,257	98,257	118,737	20,480
Delinquent taxes and interest	20,700	20,700	5,243	(15,457)
Earnings on Investments	25,000	25,000	14,010	(10,990)
Other local sources	60,000	60,000	128,031	68,031
Total local sources	868,607	868,607	923,352	54,745
State sources				
State equalization	6,491,722	6,411,722	6,384,539	(27,183)
Vocational education	275,000	275,000	273,765	(1,235)
Hold harmless full day kindergarten	-	-	52,526	52,526
Transportation	105,000	105,000	104,168	(832)
Read Grant	-	-	-	-
Other state sources	15,000	15,000	3,000	(12,000)
Total state sources	6,886,722	6,806,722	6,817,998	11,276
Federal sources				
Carl Perkins grant	-	-	2,951	2,951
Secure Rural Schools	281,000	-	256,715	256,715
Total federal sources	281,000	-	259,666	259,666
TOTAL REVENUES	8,036,329	7,675,329	8,001,016	325,687
EXPENDITURES				
Instructional program				
Salaries	3,141,388	3,141,388	3,025,904	115,484
Employee benefits	1,293,082	1,293,082	1,222,580	70,502
Purchased professional and technical services	259,800	259,800	259,589	211
Other purchased services	22,250	22,250	22,620	(370)
Supplies	252,800	252,800	235,364	17,436
Equipment	61,000	61,000	43,159	17,841
Total Instructional program	5,030,320	5,030,320	4,809,217	221,103
Student supporting services				
Salaries	160,512	160,512	163,243	(2,731)
Employee benefits	61,991	61,991	46,373	15,618
Total student supporting services	222,503	222,503	209,616	12,887

NORTH CONEJOS SCHOOL DISTRICT RE-1J

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND ACHANGES IN FUND BALANCE

BUDGET (GAAP) AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONTINUED)				
Instructional staff supporting services				
Salaries	$ 187,833	$ 187,833	$ 187,423	$ 410
Employee benefits	90,450	90,450	82,795	7,655
Purchased professional and technical services	15,500	15,500	9,945	5,555
Supplies	27,000	27,000	25,368	1,632
Equipment	1,700	1,700	4,009	(2,309)
Total instructional staff supporting services	322,483	322,483	309,539	12,944
General administration supporting services				
Salaries	240,000	240,000	214,251	25,749
Employee benefits	81,207	81,207	72,936	8,271
Purchased professional and technical services	104,200	104,200	71,451	32,749
Other purchased services	153,439	153,439	153,263	175
Supplies	9,500	9,500	3,773	5,727
Equipment	2,500	2,500	-	2,500
Total general administration supporting services	590,846	590,846	515,675	75,171
School administration supporting services				
Salaries	420,087	420,087	410,026	10,061
Employee benefits	179,958	179,958	166,628	13,330
Total school administration supporting services	600,045	600,045	576,654	23,391
Operations and maintenance of plant services				
Salaries	233,000	233,000	257,623	(24,623)
Employee benefits	66,425	66,425	101,633	(35,208)
Other purchased services	124,250	124,250	111,671	12,579
Supplies	164,000	164,000	187,446	(23,446)
Equipment	1,000	1,000	-	1,000
Total operations and maintenance of plant services	588,675	588,675	658,372	(69,697)
Student transportation services				
Salaries	181,000	181,000	197,022	(16,022)
Employee benefits	44,882	44,882	60,952	(16,070)
Other purchased services	25,500	25,500	21,489	4,011
Supplies	149,000	149,000	92,734	56,266
Other	11,000	11,000	7,923	3,077
Total student transportation services	411,382	411,382	380,119	31,263
Central support services				
Salaries	47,586	47,586	51,702	(4,116)
Employee benefits	8,590	8,590	16,665	(8,075)

NORTH CONEJOS SCHOOL DISTRICT RE-1J

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND ACHANGES IN FUND BALANCE

BUDGET (GAAP) AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance Final to Actual
Central support services (continued)				
Other purchased services	$ 26,900	$ 26,900	$ 42,090	$ (15,190)
Insurance	117,000	117,000	132,476	(15,476)
Total central support services	200,076	200,076	242,933	(42,857)
TOTAL EXPENDITURES	7,966,329	7,966,329	7,702,124	264,205
Revenue over (under) expenditures	70,000	(291,000)	298,891	589,891
OTHER FINANCING SOURCES (USES)				
Transfers out	(70,000)	(70,000)	(85,000)	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	(70,000)	(70,000)	(85,000)	(15,000)
Revenue over (under) expenditures and other financing sources (uses)	-	(361,000)	213,891	574,891
Fund balance - beginning of year	4,111,374	4,111,374	4,111,374	(0)
Fund balance- end of year	$ 4,111,374	$ 3,750,374	$ 4,325,265	$ 574,891

NORTH CONEJOS SCHOOL DISTRICT RE 1J

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of special revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Government Designated Fund- Used to record financial transactions related to Federal, State and local grants received by the District for educational purposes, the most significant of which is Title I.

Pupil Activity Fund – Used to record financial transactions related to school -sponsored pupil intrascholastic and interscholastic athletic and other related activities. These activities are supported in whole or in part by transfers from the General Fund, revenues from pupils, gate receipts, and other fundraising activities.

CAPITAL PROJECTS FUND

Capital Reserve Fund – Used to account for the purposes and limitations specified by Section 22-45-103(1)(c), C.R.S. including the acquisition of sites, buildings, equipment, and vehicles.

PROPRIETARY FUNDS

ENTERPRISE FUNDS

Account for operations that are financed and operated in a manner similar to private enterprises, where the intent of the Board of Education is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the Board of Education has decided that periodic determination of net income is appropriate for accountability purposes.

Food Service Fund- This enterprise fund is used to account for the operations of the District's school lunch program.

INTERNAL SERVICE FUNDS

Report activity that provides services of goods to other funds or departments on a cost-reimbursement basis.

Health Insurance Fund- This internal service fund is used to account for the health insurance plan provided by the District to its employees. The premiums charged are allocated to the District funds that employ those covered by the health insurance plan.

NORTH CONEJOS SCHOOL DISTRICT RE-1J

GOVERNMENT DESIGNATED FUND

STATEMENT OF REVENUES, EXPENSITURES AND CHANGES IN FUND BALANCE

BUDGET (GAAP) AND ACTUAL

FOR THE YEAR ENDED JUNE 30,2015

	Original Budget	Final Budget	Actual	Variance Final to Actual
REVENUES				
State sources				
Gifted and talented	$ 12,335	$ 12,335	$ 12,407	$ 72
READ grant	35,316	35,316	6,051	(29,265)
EARRS grant	60,021	60,021	66,208	6,187
Total state sources	107,672	107,672	84,666	(23,006)
Federal sources	385,619	385,619	379,768	(5,851)
Total Federal sources	385,619	385,619	379,768	(5,851)
TOTAL REVENUES	493,291	493,291	464,435	(28,857)
EXPENDITURES				
Instructional program				
Salaries	239,930	239,930	224,272	15,658
Employee benefits	69,249	69,249	93,444	(24,195)
Purchased professional services	167,304	167,304	110,350	56,954
Other purchased services	12,808	12,808	8,992	3,816
Supplies	4,000	4,000	27,999	(23,999)
Total instructional program	493,291	493,291	465,057	28,234
TOTAL EXPENDITURES	493,291	493,291	465,057	28,234
Revenue over (under) expenditures	(0)	(0)	(622)	(622)
Fund balance- beginning of year	-	-	1,000	1,000
Fund balance- end of year	$ (0)	$ (0)	$ 378	$ 378

NORTH CONEJOS SCHOOL DISTRICT RE-1J

ACTIVITY FUND

STATEMENT OF REVENUES, EXPENSITURES AND CHANGES IN FUND BALANCE

BUDGET (GAAP) AND ACTUAL

FOR THE YEAR ENDED JUNE 30,2015

	Original Budget	Final Budget	Actual	Variance Final to Actual
REVENUES				
Local sources				
Pupil activities	$ 264,957	$ 264,957	$ 212,880	$ (52,078)
Earnings on investments	543	543	234	(309)
Total local sources	265,500	265,500	213,114	(52,386)
TOTAL REVENUES	265,500	265,500	213,114	(52,386)
EXPENDITURES				
Student support services	265,500	265,500	239,195	26,305
TOTAL EXPENDITURES	265,500	265,500	239,195	26,305
Revenue over (under) expenditures	-	-	(26,081)	(26,081)
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	-	-	45,000	45,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	45,000	45,000
Revenue over (under) expenditures and other financing sources (uses)	-	-	18,919	18,919
Fund balance- beginning of year	170,015	170,015	119,204	50,811
Fund balance- end of year	$ 170,015	$ 170,015	$ 138,123	$ 69,729

NORTH CONEJOS SCHOOL DISTRICT RE-1J

CAPITAL RESERVE FUND

STATEMENT OF REVENUES, EXPENSITURES AND CHANGES IN FUND BALANCE

BUDGET (GAAP) AND ACTUAL

FOR THE YEAR ENDED JUNE 30,2015

	Original Budget	Final Budget	Actual	Variance Final to Actual
REVENUES				
Local sources				
Earnings on investments	$ 3,600	$ 3,600	$ 1,165	$ (2,435)
Total local sources	3,600	3,600	1,165	(2,435)
TOTAL REVENUES	3,600	3,600	1,165	(2,435)
EXPENDITURES				
Instructional staff supporting services				
Equipment	45,000	45,000	25,274	19,726
Student transportation services				
Vehicles	99,000	99,000	-	99,000
Facility acquisition and construction				-
Capital reserve equipment	54,000	54,000	-	54,000
Capital reserve building	72,000	72,000	76,700	(4,700)
Capital reserve site	180,000	180,000	93,938	86,062
Total Facility acquisition and construction	306,000	306,000	170,638	135,362
TOTAL EXPENDITURES	450,000	450,000	195,911	254,089
Revenue over (under) expenditures	(446,400)	(446,400)	(194,747)	251,653
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	-	-	(9,248)	(9,248)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(9,248)	(9,248)
Revenue over (under) expenditures and other financing sources (uses)	(446,400)	(446,400)	(203,995)	242,405
Fund balance- beginning of year	446,400	446,400	1,072,710	626,310
Fund balance- end of year	$ -	$ -	$ 868,715	$ 868,715

NORTH CONEJOS SCHOOL DISTRICT RE-1J

FOOD SERVICE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30,2015

	Original Budget	Final Budget	Actual	Variance Final to Actual
OPERATING REVENUE				
Food sales	$ 102,000	$ 102,000	$ 98,296	$ (3,704)
Total operating revenue	102,000	102,000	98,296	(3,704)
OPERATING EXPENSES				
Salaries	183,920	183,920	204,412	(20,492)
Employee benefits	109,195	109,195	126,115	(16,920)
Food and commodities	147,410	147,410	160,742	(13,332)
Purchased property services	-	-	-	-
Other purchased services	-	-	78	(78)
Nonfood supplies	7,975	7,975	8,388	(413)
Small equipment	-	-	5,808	(5,808)
Depreciation	-	-	6,353	(6,353)
Total operating expenses	448,500	448,500	511,896	(63,396)
Operating income (loss)	(346,500)	(346,500)	(413,600)	(67,100)
NONOPERATING REVENUE (EXPENSE)				
Interest income	-	-	72	72
Federal Breakfast and School Lunch program	272,000	272,000	273,136	1,136
State reimbursement	11,500	11,500	10,741	(759)
USDA donated food	23,000	23,000	23,754	754
Total nonoperating revenue (expense)	306,500	306,500	307,703	1,203
Income (loss) before operating transfer	(40,000)	(40,000)	(105,897)	(65,897)
Transfers in	40,000	40,000	49,248	(9,248)
Change in net position	-	-	(56,649)	(56,649)
Net position- beginning of year	-	-	(4,951)	(4,951)
Net position- end of year	$ -	$ -	$ (61,600)	$ (61,600)

NORTH CONEJOS SCHOOL DISTRICT RE-1J

HEALTH INSURANCE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30,2015

	Original Budget	Final Budget	Actual	Variance Final to Actual
OPERATING REVENUE				
Premium Revenues	$ -	$ -	$ 765,640	$ 765,640
Total operating revenue	-	-	765,640	765,640
OPERATING EXPENSES				
Purchased services				
Medical and Prescription Claims	-	-	424,815	(424,815)
Administrative Costs	-	-	297,543	(297,543)
Total operating expenses	-	-	722,359	(722,359)
Operating income (loss)	-	-	43,281	43,281
Change in net position	-	-	43,281	43,281
Net position- beginning of year	-	-	-	-
Net position- end of year	$ -	$ -	$ 43,281	$ 43,281

NORTH CONEJOS SCHOOL DISTRICT RE 1J

Single Audit Section

NORTH CONEJOS SCHOOL DISTRICT RE-IJ

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30,2015

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass through ID Number	Federal Expenditures
U.S. Department of Agriculture			
Colorado Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	4553	$ 65,852
National School Lunch Program	10.555	4555	207,284
Food Distribution (commodities)	10.555	n/a	23,754
Conejos County			
Secure Payments for States and Counties Containing Federal Lands	10.665	n/a	256,715
U.S. Department of Education			
Colorado Department of Education			
No Child Left Behind, Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	4010	309,810
No Child Left Behind, Title II, Part A			
Improving Teacher Quality State Grants	84.367	4367	62,161
Race to the Top, Phase 3	84.413	4413	549
Rural and Low Income Schools	84.358B	7358	7,248
Colorado State Board of Community Colleges			
Career and Technical Education (Perkins IV)	84.048	4048	2,951
Total Expenditures			$ 936,324

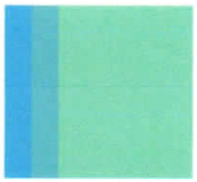
NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of North Conejos School District RE-iJ, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B: FOOD DISTRIBUTION

Nonmonetary assitance is reported in this schedule at the fair market value of the commodities received and disbursed.

Lisa A. Sandoval
Certified Public Accountant
13486 CR 17, La Jara, CO 81140
(719) 580-8792
rl.sandoval@yahoo.com



INDEPENDENT AUDITOR'S
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
North Conejos School District RE-1J
La Jara, Colorado 81140

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, remaining fund information of North Conejos School District RE-1J, (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and/or significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weaknesses: 2015-001.



A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-002.

District's Response to finding

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lisa A. Sandoval
Certified Public Accountant
La Jara, Colorado

November 14, 2015

Lisa A. Sandoval
Certified Public Accountant
13486 CR 17, La Jara, CO 81140
(719) 580-8792
rl.sandoval@yahoo.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education
North Conejos School District RE-1J
La Jara, Colorado 81101

Report on Compliance for Each Major Federal Program

We have audited North Conejos School District RE-1J, (the District) La Jara Colorado's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on CDFA 84.010 No Child Left Behind

As described in the accompanying schedule of finding and questioned costs, the District did not comply with the requirements regarding CFDA 84.010 No Child Left Behind, as described in finding number 2015-002 for

Reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements of that program.

Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and/or significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-002 to be material weaknesses.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District 's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those

charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lisa A. Sandoval, CPA

Lisa A. Sandoval
Certified Public Accountant
La Jara, Colorado

November 14, 2015

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Section I- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes ____ no
- Significant deficiency(ies) identified that are **not** Considered to be material weakness(es)? ____ yes X no
- Noncompliance material to financial statements noted? ____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes ____ no
- Significant deficiency(ies) identified that are **not** Considered to be material weakness(es)? ____ yes X no

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in Accordance with section 510(a) of OMB Circular A-133? X yes ____ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	No Child Left Behind, Title I, Part A

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

Auditee qualified as a low-risk auditee? X yes ____ no

Section II- Financial Statement Findings

Finding 2015-001: Internal Control Over Financial Reporting

Type of finding: Internal Control (material weakness)

Condition/Cause: Effective July 1, 2014 the District established a self-funded health benefit program for its employees. However, the District did not set up records to account for this new activity.

Criteria: Governmental Accounting Standards Board (GASB) statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* sets forth the accounting requirements for self-funded programs.

Effect: Prior to the posting of applicable audit adjustments, the effects of the new program were not reflected in the District's accounting records. Many of the transactions omitted were material to the financial statements, including but not limited to assets held by CIGNA of approximately $70,000, premiums of approximately $765,000, claims expenses and administrative costs of approximately $425,000 and $300,000, respectively.

Recommendation: Accounting effects of new programs should be thoroughly researched and reviewed by both the Finance Director and the District's Board prior to implementation. If internal expertise is not deemed adequate, assistance should be procured from qualified third parties.

Management's Response: See corrective action plan.

Section III- Federal Award Findings and Questioned Costs

Finding 2015-02: **No Child Left Behind, Title I, Part A, CFDA No. 84.010**
U.S. Department of Education

Passed through Colorado Department of Education

Compliance Requirement: Reporting

Grant No.: Not applicable

Type of finding: Internal Control (material weakness) and compliance (material weakness)

Condition/Cause: The District is not utilizing financial reports from the SDS accounting system to prepare funding reimbursement requests, but is rather using a manual system and a reconciliation process between the two systems is not adequately maintained.

Criteria: Section L. Reporting of OMB Circular A-133 stipulates that financial reports submitted for reimbursement purposes are to be accurate and complete.

Effect: During FY15, the District did was not aware of the amount of grant carry over from prior year and therefore could not plan or budget accordingly for said carryover resulting in approximately $20,000 of additional funds available for use during the fiscal year.

Recommendation: District bookkeeper for Federal Designated Programs Fund should utilize the data in the SDS accounting system to prepare all funding reimbursement requests. The District should maintain accounts in such a manner as to isolate the prior year grant funding expenditures and requests from the current year grant in order to accurately track carry over activity. In addition, Finance Director should review the requests for accuracy prior to final review and acceptance by the Federal Programs Director.

Management's Response: See corrective action plan

North Conejos School District RE 1-J

P.O. Box 72
La Jara, CO 81140
www.northconejos.com

Office of the Superintendent

Phone (719)274-5174
Fax (719-274-5621

The following are actions initiated to align North Conejos School District Financial Statement Findings:

>The established self-funded health benefit program for the North Conejos School District is now reflected in the district's accounting system (SDS) as a separate entity. This independent account provides the venue to create the level of transparency necessitated by such an account. Assets, premiums, and claims as well as administrative costs are now accountable, viewable and traceable, and now in alignment with Governmental Accounting Standards statement No. 10

>District Personnel will utilize the SDS accounting system and forfeit the use of a manual system and reconciliation process to prepare funding reimbursement requests. No repetition between the two systems is necessary and duplicates the institutional burden of the process. Isolation of the prior year grant funding expenditures and requests from the current year grant can be accurately tracked by the use of the data in the SDS accounting system, which is the directive from management. In addition, a quarterly review from the finance director to ensure accuracy and compliance will initiate immediately.

The aforementioned actions have commenced as of this date, November 16, 2015, eliminating the identified material weakness, ambiguity and deficiencies identified by our auditor's results. This effort is a continuance of the NCSD superintendent's will to coincide with solid and trustworthy accounting measures to provide complete financial transparency and keep the public trust.

Sincerely,

Curt Wilson

NORTH CONEJOS SCHOOL DISTRICT RE 1J

CDE Compliance Section

Colorado Department of Education

Auditors Integrity Report

District: 0550 - NORTH CONEJOS RE-1J
Fiscal Year 2014-15
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	4,111,374	7,916,016	7,702,124	4,325,266
18	Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19	Colorado Preschool Program Fund	0	0	0	0
Sub- Total		**4,111,374**	**7,916,016**	**7,702,124**	**4,325,266**
11	Charter School Fund	0	0	0	0
20,26-29	Special Revenue Fund	0	0	0	0
21	Food Service Spec Revenue Fund	-4,960	455,246	511,896	-61,609
22	Govt Designated-Purpose Grants Fund	1,000	464,435	465,057	378
23	Pupil Activity Special Revenue Fund	119,204	258,114	239,195	138,123
24	Full Day Kindergarten Mill Levy Override	0	0	0	0
25	Transportation Fund	0	0	0	0
31	Bond Redemption Fund	0	0	0	0
39	Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41	Building Fund	0	0	0	0
42	Special Building Fund	0	0	0	0
43	Capital Reserve Capital Projects Fund	1,072,710	-8,083	195,911	868,715
Totals		**5,299,327**	**9,085,727**	**9,114,183**	**5,270,871**
Proprietary					
50	Other Enterprise Funds	0	0	0	0
64 (63)	Risk-Related Activity Fund	20,000	0	-23,281	43,281
60,65-69	Other Internal Service Funds	0	0	0	0
Totals		**20,000**	**0**	**-23,281**	**43,281**
Fiduciary					
70	Other Trust and Agency Funds	0	0	0	0
72	Private Purpose Trust Fund	29,216	6,049	7,500	27,764
73	Agency Fund	0	0	0	0
74	Pupil Activity Agency Fund	0	0	0	0
79	GASB 34:Permanent Fund	0	0	0	0
85	Foundations	0	0	0	0
Totals		**29,216**	**6,049**	**7,500**	**27,764**

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.