



Delta County Joint School District No. 50J

FINANCIAL STATEMENTS AND REPORTS OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2018

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Office of the State Auditor

November 19, 2018

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

November 6, 2018

The Board of Education  
Delta County Joint School District No. 50J  
Delta, Colorado

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Delta County Joint School District No. 50J as of and for the year ended June 30, 2018, 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. The financial statements of Vision Charter Academy were not audited in accordance with *Government Auditing Standards*.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Delta County Joint School District No. 50J as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Board of Education  
November 6, 2018

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension schedules, and the OPEB schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 Delta County Joint School District No. 50J's basic financial statements. The combining and individual fund financial statements and schedules and the Auditor's Integrity Report required by the Colorado Department of Education are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The combining and individual fund financial statements and schedules; the Auditor's Integrity Report; and the schedule of expenditures of federal awards 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, such information is 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 6, 2018 on our consideration of Delta County Joint School District No. 50J'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 Delta County Joint School District No. 50J's internal control over financial reporting and compliance.

*Chadwick, Steinkirchner, Davis & Co., P.C.*

**DELTA COUNTY JOINT SCHOOL DISTRICT NO. 50-J**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Fiscal Year Ended June 30, 2018**

**Management's Discussion and Analysis**

The Delta County Joint School District No. 50-J is located in western Colorado and encompasses approximately 1800 square miles in Delta, Gunnison, Mesa, and Montrose counties. The District serves the communities of Delta, Crawford, Cedaredge, Hotchkiss and Paonia as well as surrounding rural areas. Over 4,800 students are served district-wide including the Technical College.

This discussion and analysis provides an overall view of the District's financial activities for the fiscal year 2017-2018. The intent of this analysis is to look at the District's financial performance as a whole. Complete understanding of the fiscal performance of the District may require reading of the basic financial statements for the District.

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2018 are as follows:

- In total, the ending net position decreased \$31.38 million from the previous year on a Government Wide basis due to changes in OPEB accounting and increasing pension and OPEB liabilities. The District's share of net pension liability (PERA) is \$(170,679,477) and net OPEB liability (PERA) is \$(3,897,597).
- At the end of the current fiscal year, the fund balance for the General Fund was \$10,314,650. The General Fund has recorded a liability of \$1.9 million for salaries and benefits of school personnel who work nine months of the year and are paid over twelve months. Colorado State law does not require the liability to be funded or budgeted until the year in which it is to be paid. At the direction of the Board of Education in the past, the District continues to budget and fund this liability.
- The District's long-term obligations decreased by \$1.56 million. The decrease was due to the paying down of debt. Retiree longevity obligations amount to \$284,068. There are compensated absence obligations of \$511,553. A lease purchase for the District Office building of \$380,000 added to long-term obligations.
- The previous sharp decline in enrollment, due to a stagnant local economy, seems to be at or near a bottom. There was a small increase in enrollment in the 17-18 school year as well as a small increase in state funding.
- General fund revenues accounted for \$38.1million or 73% of all revenues. These general revenues include taxes, grants and entitlements not restricted to specific programs, general interest and other revenues not related to specific programs. Program specific revenues accounted for \$13.72 million or 27% of the District's total revenues of \$51.82 million.
- The District had \$79.88 million in expenses on the government-wide basis, of which \$14.09 million were offset by program specific revenues from charges for services, grants and contributions.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are arranged with the intent that the reader can understand the Delta County Joint School District as an entire operating entity.

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds with all other non-major funds presented in total in a single column. For the Delta County Joint School District No. 50J, the General Fund is the most significant fund. The remaining statements provide financial information about the activities for which the District acts solely as a trustee or agent for the benefit of those outside the reporting entity.

### **Reporting the District as a Whole**

While this report contains all funds used by the District to provide programs and activities, the view of the District as a whole looks at all the financial transactions and asks the question, "How did we do financially during the 2017-2018 fiscal year?" The statement of *net position* and the *statement of activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting system used by most private sector companies. The accrual basis of accounting takes into account all the current year's revenues and expenses.

These two statements report the District's net position and changes in that position. This change in net position is important because it identifies whether the financial position of the District has improved or diminished for the District as a whole. The cause of this change may be a result of many factors, some financial, some not. Non-financial factors include enrollment levels, statutorily required reserves, facility conditions, required educational programs and changes in accounting principles.

In the statement of net position and the statement of activities, the District financial data is reported in the broad category titled Governmental Activities.

**Governmental Activities** – Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities, as well as student aid programs from the Technical College. All activity is reported here.

The government-wide financial statements include not only the District, but also a legally separate charter school, Vision Charter Academy (VCA), for which the District is financially accountable. Financial information for the VCA is reported separately from the financial information presented for the District itself under the heading: Discretely Presented Component Unit.

## **Fund Financial Statements**

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, the fund financial statements focus on the District's most significant funds. The District's major governmental funds include the General Fund, Technical College of the Rockies, and the Bond Redemption Fund. Other governmental funds that are aggregated on the governmental fund financial statements include the Grants Fund, the Food Service Fund, the Student Activities Fund, the Building Fund and the Capital Reserve Fund. Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations. The District's fund financial statements are divided into two broad categories: (1) governmental funds and (2) fiduciary funds.

## **Governmental Funds**

The District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using an accrual method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net position and the statement of activities and the governmental funds is reconciled in the financial statements.

## **Fiduciary Funds**

The District is a trustee, or fiduciary, for the Private Purpose Scholarship Trust Fund and one agency fund, the student activity fund. All of the fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the governmental funds because the District cannot use these funds to finance its operations. The District is responsible for ensuring that these funds are used for their intended purposes.

Summary of the District's net position for the fiscal year 2017 compared to 2018 (in thousands).

|                                 | <b><u>Statement of Net Position</u></b> |                       |
|---------------------------------|---|-----------------------|
|                                 | <b><u>Governmental Activities</u></b>   |                       |
| <b><u>Assets</u></b>            | <b><u>FY 2017</u></b>                   | <b><u>FY 2018</u></b> |
| Current & Other Assets          | \$ 22,770                               | \$ 24,157             |
| Capital Assets, Net             | <u>51,244</u>                           | <u>50,617</u>         |
| Total Assets                    | 74,014                                  | 74,774                |
| <b><u>Deferred Outflows</u></b> |   |                       |
| Pensions                        | 56,748                                  | 55,480                |
| OPEB related deferred           | N/A                                     | 410                   |
| Loss on debt refunding          | <u>438</u>                              | <u>327</u>            |
| Total Deferred Outflows         | 57,186                                  | 56,217                |

|                                | <u>FY 17</u>       | <u>FY 18</u>        |
|--------------------------------|--------------------|---------------------|
| <b><u>Liabilities</u></b>      |                    |                     |
| Current                        | 8,022              | 3,994               |
| Long-term                      | <u>157,198</u>     | <u>187,942</u>      |
| Total Liabilities              | 165,220            | 191,936             |
| <b><u>Deferred Inflows</u></b> |                    |                     |
| Pensions                       | 3,716              | 8,094               |
| OPEB related                   | <u>N/A</u>         | <u>81</u>           |
| Total Deferred Inflows         | 3,716              | 8,175               |
| <b><u>Net Position</u></b>     |                    |                     |
| Net Investment in              |                    |                     |
| Capital Assets                 | 37,691             | 38,406              |
| Restricted                     | 3,938              | 4,146               |
| Unrestricted                   | <u>(79,365)</u>    | <u>(111,672)</u>    |
| Total Net Position             | <u>\$ (37,736)</u> | <u>\$ ( 69,120)</u> |

#### **Statement of Activities**

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The following detail reflects the total cost of services supported by program revenues and general property taxes, unrestricted state entitlements, and other general revenues, resulting in the overall change in net position for the fiscal year 2017 and 2018 (in thousands).

|                                    | <b><u>Governmental Activities</u></b> |               |
|------------------------------------|---------------------------------------|---------------|
|                                    | <u>FY 17</u>                          | <u>FY 18</u>  |
| <b><u>Revenues:</u></b>            |                                       |               |
| <b>Program Revenues:</b>           |                                       |               |
| Charges for Services and Sales     | \$ 4,554                              | \$ 4,906      |
| Operating Grants and Contributions | 7,889                                 | 8,325         |
| Capital Grants and Contributions   | <u>352</u>                            | <u>860</u>    |
| Total Program Revenue              | 12,795                                | 14,091        |
| <b>General Revenues:</b>           |                                       |               |
| Property & Ownership Tax           | 11,757                                | 11,910        |
| State Equalization                 | 22,759*                               | 24,831 *      |
| Fed. Mineral/Forest Leasing        | 52                                    | 15            |
| Premiums in excess of claims       | 171                                   | 1,058         |
| Investment Earnings                | 10                                    | 29            |
| Gain on Sale of Assets             | 44                                    | 13            |
| Other General Revenues             | <u>36</u>                             | <u>15</u>     |
| Total General Revenue              | <u>34,829</u>                         | <u>37,871</u> |
| <b>Total Revenue</b>               | 47,624                                | 51,962        |

The component unit had equalization revenues of \$2,896,337 in FY17 and \$3,026,149 in FY 18.

|                                    | <b>Governmental Activities</b> |                    |
|------------------------------------|--------------------------------|--------------------|
|                                    | <b>FY 17</b>                   | <b>FY 18</b>       |
| <b>Program Expenses:</b>           |                                |                    |
| Instruction                        | \$ 37,988                      | \$ 45,536          |
| <b>Support Services:</b>           |                                |                    |
| Student Based                      | 2,657                          | 3,417              |
| Instructional Staff                | 1,725                          | 2,424              |
| General Administration             | 1,533                          | 2,017              |
| School Administration              | 3,882                          | 6,404              |
| Business Services                  | 1,386                          | 1,530              |
| Operations & Maintenance           | 5,321                          | 6,462              |
| Pupil Transportation               | 2,180                          | 2,666              |
| Central Support Services           | 3,135                          | 3,672              |
| Community Services                 | 191                            | 190                |
| Food Service                       | 2,183                          | 2,492              |
| Student Aid                        | 74                             | 53                 |
| <b>Interest and Fiscal Charges</b> | 421                            | 565                |
| <b>Unallocated Depreciation</b>    | <u>2,333</u>                   | <u>2,449</u>       |
| <b>Total Expenses</b>              | <u>65,009</u>                  | <u>79,877</u>      |
| Change in net position             | (17,385)                       | (27,915)           |
| Net position, beginning            | (20,351)                       | (37,736)           |
| Change in Accounting               | <u>N/A</u>                     | <u>( 3,469)</u>    |
| <b>Net position, ending</b>        | <u>\$ (37,736)</u>             | <u>\$ (69,120)</u> |

### Governmental Activities

The statement of activities reflects the cost of program services and the charges for service, grants and contributions offsetting those services. The following table summarizes the information from the statement of activities, reflecting the total cost of program services and the remaining net cost of program services supported by taxes and other general revenues:

|                             | <b>Total Cost of Services</b> |                  | <b>Net Cost of Services</b> |                  |
|-----------------------------|-------------------------------|------------------|-----------------------------|------------------|
|                             | <b>FY 17</b>                  | <b>FY 18</b>     | <b>FY 17</b>                | <b>FY 18</b>     |
| <i>(In Thousands)</i>       |                               |                  |                             |                  |
| Instruction                 | \$ 37,988                     | \$ 45,536        | \$ (32,578)                 | \$ (39,541)      |
| Support Services            |                               |                  |                             |                  |
| Student Based               | 2,657                         | 3,417            | 369                         | (190)            |
| Instructional Staff         | 1,725                         | 2,424            | (828)                       | (1,720)          |
| General Administration      | 1,533                         | 2,017            | (976)                       | (1,510)          |
| School Administration       | 3,882                         | 6,404            | (3,882)                     | (6,404)          |
| Business Support Services   | 1,386                         | 1,530            | (1,285)                     | (1,436)          |
| Operations & Maintenance    | 5,321                         | 6,462            | (5,114)                     | (5,567)          |
| Pupil Transportation        | 2,180                         | 2,666            | (1,796)                     | (2,287)          |
| Central Support Services    | 3,135                         | 3,672            | (3,135)                     | (3,672)          |
| Student Aid                 | 74                            | 53               | 445                         | 503              |
| Interest and Fiscal Charges | 421                           | 565              | (420)                       | (565)            |
| Unallocated Depreciation    | 2,333                         | 2,449            | (2,333)                     | (2,449)          |
| Community Services          | 191                           | 190              | (191)                       | (190)            |
| Food Services               | <u>2,183</u>                  | <u>2,492</u>     | <u>(490)</u>                | <u>(758)</u>     |
| <b>Total Expenses</b>       | <u>\$ 65,009</u>              | <u>\$ 79,877</u> | <u>\$ 52,214</u>            | <u>\$ 65,786</u> |

The dependence on state revenues for general fund activities is growing because of the decline in assessed valuation. In 2018, approximately 66% of General Fund revenue was from state funding sources. In 2014 the amount of state support was 57%. This increasing dependency on the state is a cause for concern if state revenues decline and the budget stabilization factor is increased.

### **The District's Funds**

The funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$52,199,113. Total governmental funds had expenditures and other financing uses of \$49,519,135.

The General Fund had an overall decrease in fund balance of (\$1,253,635). This was due to transfers to the Building Fund.

The Technical College of the Rockies (TCR) net position decreased in 2018 due to the increase in pension and OPEB liabilities. The fund balance decreased by \$(45,403). This decrease is mostly due to write offs of bad debt and old bookstore inventory.

The balance of the aggregated 'Non-major Governmental Funds' had a slight increase in fund balance of \$20,894. The Debt Service Fund (Bond) had an overall increase in fund balance of \$106,241 resulting from the difference between the fiscal year debt service requirements and the calendar year property tax collections. Interest earnings also increased in the fund.

The new Building Fund was created from a BEST grant and a large transfer from the General Fund.

### **General Fund Budgeting Highlights**

The District's procedure in establishing the budgetary data reflected in the financial statement is summarized in *Note A (4)* of the financial statements. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The District uses a line-item based budget. The budgeting systems are designed to control line-item expenditures, but provide flexibility for overall budgetary management.

For the General Fund, final budgeted revenues and other financing sources were \$36,254,385. Actual General Fund revenues and other financing sources came in above budget by \$1,848,500. The actual revenues received were higher than the anticipated revenues during the budgeting process. This was the result of some unanticipated grants and a \$466,000 increase in tax collections.

Actual expenditures and other financing uses of \$39,356,520 were \$638,075 lower than anticipated. Transfers out were (\$45,000) higher than budgeted and were mostly for capital projects. Instructional services expenditures were \$599,986 lower than budgeted; Instructional Supporting Services were (\$4,562) more than budgeted. Business Services were (\$2,501) more than budgeted. Central Support Services were \$13,636 lower than budgeted.

The Board of Education and management continue to strive to budget appropriate amounts for each individual line item. The overall goal is to provide services in the most economical and efficient manner.

## **Capital Assets and Debt**

### **Capital Assets**

At June 30, 2018, the District had \$48,591,091 in capital assets (net of accumulated depreciation), including buildings fixtures, and vehicles. The following reflects the balances of fiscal year 2018 compared to fiscal year 2017.

|                                   | <u>Capital Assets at Fiscal Year End<br/>Net of Depreciation</u> |                      |
|-----------------------------------|--|----------------------|
|                                   | <u>FY 17</u>   | <u>FY 18</u>         |
| Land                              | \$ 593,306   | \$ 593,306           |
| Buildings and Improvements        | 46,716,066   | 45,314,529           |
| Work in Progress                  | 429,359  | 683,457              |
| Food Service                      | 75,344   | 53,314               |
| Furniture, Equipment and Vehicles | <u>1,544,153</u>   | <u>1,946,485</u>     |
| Totals                            | <u>\$ 49,358,228</u>   | <u>\$ 48,591,091</u> |

### **Debt**

On June 30, 2018 the District had \$10,362,359 in outstanding General Obligation refunding bonds for the capital construction projects for the District's 5 communities. The bonds are paid from a mill levy in the Debt Service Fund.

The District also has a Certificate of Participation loan as the matching portion of a BEST grant used to build a new Cedaredge Elementary with a balance due of \$1,816,331.

The District also entered into a Lease purchase of \$380,000 for the purchase of a building to serve as the new District Office. The balance owed as of June 30, 2018 was \$348,279,

The District also has long-term liabilities for compensated absences in the amount of \$511,553 and for early retirement payments of \$284,068.

### **Current Issues, Economic Conditions and Outlook**

The state economy continues to be strong. State revenues have also continued to increase. As a result the state legislature has been able to increase funding for Education for several years. K-12 Education accounts for 43% of the State's General Fund Budget. State funding accounts for 66% of the district's General Fund Budget. The state share continues to increase because of a decline in assessed valuation in the District and a change in the state assessment rate for residential properties.

The local/regional economy is recovering from the recession and the contraction of the energy sector. Real estate sales have been strong. Some new home construction has begun recently. People have started moving to the area from the Front Range., however most are retired and do not have children. School enrollment was up slightly in 17/18 and down about the same amount in 18/19. Overall enrollment remains down 500 students from pre-recession levels.

During the 14/15 school year the District implemented Class Size Guidelines were to help address the impacts of declining enrollment. These guidelines are still followed in the current budget year.

The District developed a Strategic Plan during the summer of 2016 and we continue to refine and implement the plan. Some of the projects related to the Strategic plan for the 18/19 school year are: purchase of science curriculum materials, continuation of the Capturing Kids Hearts program, implementation of One-to-One Chromebooks grades 6-12, implementation of the ALICE school safety program, implementation of Neuro-teach professional development for teachers and the replacement of two old route school buses with new ones.

The District moved the District Office to downtown Delta in the summer of 2018. Construction of the new 6<sup>th</sup> grade wing and cafeteria at Delta Middle School began in the summer of 2018. This is being constructed with a BEST grant and a local match of \$4 million. It is slated for a fall of 2019 opening.

The ability to accurately predict the level of state funding in the event of a recession is a huge challenge. In the 18/19 school year, 70% of our funds come from the state. We have to be very cognizant of changes in the state economy and the political climate in the Legislature. We must also seek creative solutions to the challenge that declining enrollment has on our ability to deliver a quality education to the students of the District. Thanks to strong Leadership, we are ready to meet these challenges.

#### **Contacting the District**

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finance and to show the District's accountability for the money it receives. You may visit the District's website for other financial information. The website is: [Deltaschools.com](http://Deltaschools.com). If you have any questions regarding this report or need additional financial information, please contact the:

#### **Delta County Joint School District No. 50J**

145 West 4<sup>th</sup> Street  
Delta, CO 81416  
Tel: 970-874-4438  
Fax: 970-874-5744

The **Technical College of the Rockies**, a component unit of the Delta County Joint School District No. 50J, also issues a public annual financial statement and all the required supplemental information. That report may be obtained by writing to the address listed above.

The **Vision Charter Academy** is a charter school within the district boundaries. Some of their financial data is listed as a component part of the district in the audit. Their audit may be viewed on their website at: [Visioncharteracademy.org](http://Visioncharteracademy.org).

The contact information is:

Vision Charter Academy  
1080 Pioneer Road  
Delta, CO 81416  
Tel: 970-874-8226  
Fax: 970-874-8336

## Delta County Joint School District No. 50J

## STATEMENT OF NET POSITION

June 30, 2018

|   | Governmental<br>Activities | Discretely<br>Presented<br>Component<br>Unit |
|---|----------------------------|--|
| <b>ASSETS</b>                                     |                            |  |
| Cash and investments                              | \$ 14,556,817              | \$ 598,556                                   |
| Restricted cash and investments                   | 6,615,559                  | -  |
| Receivables                                       |                            |  |
| Taxes   | 929,830                    | -  |
| Grants  | 1,551,340                  | -  |
| Other receivables                                 | 190,832                    | 36,535                                       |
| Inventories                                       | 258,894                    | -  |
| Prepaid expense                                   | 53,275                     | 11,184                                       |
| Capital assets (net of accumulated depreciation): | 50,617,180                 | -  |
| Total assets                                      | <u>74,773,727</u>          | <u>646,275</u>                               |
| <b>DEFERRED OUTFLOWS</b>                          |                            |  |
| Pension related deferred outflows                 | 55,480,012                 | 3,047,250                                    |
| OPEB related deferred outflows                    | 410,268                    | 14,555                                       |
| Deferred loss on debt refunding                   | 326,696                    | -  |
| Total deferred outflows                           | <u>56,216,976</u>          | <u>3,061,805</u>                             |
| <b>LIABILITIES</b>                                |                            |  |
| Accounts payable                                  | 985,058                    | 4,634  |
| Accrued salaries and benefits                     | 2,211,858                  | 114,049                                      |
| Claims payable                                    | 313,732                    | -  |
| Other liabilities                                 | 31,230                     | -  |
| Unearned revenue                                  | 483,055                    | -  |
| Noncurrent liabilities:                           |                            |  |
| Due within one year:                              |                            |  |
| Bonds   | 1,664,318                  | -  |
| Certificates of participation and capital leases  | 167,082                    | -  |
| Longevity payable                                 | 138,916                    | -  |
| Compensated absences                              | 511,553                    | -  |
| Due in more than one year:                        |                            |  |
| Bonds   | 8,698,041                  | -  |
| Certificates of participation and capital leases  | 2,008,471                  | -  |
| Longevity payable                                 | 145,152                    | -  |
| Net pension liability                             | 170,679,477                | 10,097,388                                   |
| Net OPEB liability                                | 3,897,597                  | 230,581                                      |
| Total liabilities                                 | <u>191,935,540</u>         | <u>10,446,652</u>                            |
| <b>DEFERRED INFLOW OF RESOURCES</b>               |                            |  |
| Pension related deferred inflows                  | 8,094,351                  | 493,841                                      |
| OPEB related deferred inflows                     | 81,407                     | 3,858  |
| Total deferred inflows of resources               | <u>8,175,758</u>           | <u>497,699</u>                               |
| <b>NET POSITION</b>                               |                            |  |
| Net investment in capital assets                  | 38,405,964                 | -  |
| Restricted for emergencies                        | 1,258,628                  | 97,553                                       |
| Restricted for debt service                       | 2,887,053                  | -  |
| Unrestricted                                      | (111,672,240)              | (7,333,824)                                  |
| Total net position                                | <u>\$ (69,120,595)</u>     | <u>\$ (7,236,271)</u>                        |

The accompanying notes are an integral part of this statement.

Delta County Joint School District No. 50J

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

| Functions/Programs                         | Expenses             | Program Revenues     |                                    |                                  | Primary Governmental Activities | Component Unit        |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---------------------------------|-----------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |                                 |                       |
| <b>Primary government:</b>                 |                      |                      |                                    |                                  |                                 |                       |
| <b>Governmental activities:</b>            |                      |                      |                                    |                                  |                                 |                       |
| Instructional services                     | \$ 45,536,270        | \$ 1,887,687         | \$ 3,980,405                       | \$ 127,319                       | \$ (39,540,859)                 |                       |
| Support services:                          |                      |                      |                                    |                                  |                                 |                       |
| Student based                              | 3,417,364            | 1,852,217            | 1,374,886                          | -                                | (190,261)                       |                       |
| Instructional staff services               | 2,423,599            | -                    | 703,488                            | -                                | (1,720,111)                     |                       |
| General administration                     | 2,017,310            | 507,094              | -                                  | -                                | (1,510,216)                     |                       |
| School administration                      | 6,404,486            | -                    | -                                  | -                                | (6,404,486)                     |                       |
| Business services:                         |                      |                      |                                    |                                  |                                 |                       |
| Business services                          | 1,529,630            | 69,499               | -                                  | 24,163                           | (1,435,968)                     |                       |
| Operations and maintenance                 | 6,461,332            | 185,991              | -                                  | 708,712                          | (5,566,629)                     |                       |
| Pupil transportation                       | 2,666,269            | 52,082               | 326,934                            | -                                | (2,287,253)                     |                       |
| Central services                           | 3,672,310            | -                    | -                                  | -                                | (3,672,310)                     |                       |
| Community services                         | 189,586              | -                    | -                                  | -                                | (189,586)                       |                       |
| Food services                              | 2,491,919            | 351,314              | 1,382,974                          | -                                | (757,631)                       |                       |
| Student aid programs                       | 53,132               | -                    | 556,345                            | -                                | 503,213                         |                       |
| Interest on long-term debt                 | 565,144              | -                    | -                                  | -                                | (565,144)                       |                       |
| Depreciation - unallocated                 | 2,449,285            | -                    | -                                  | -                                | (2,449,285)                     |                       |
| Total primary government                   | <u>\$ 79,877,636</u> | <u>\$ 4,905,884</u>  | <u>\$ 8,325,032</u>                | <u>\$ 860,194</u>                | <u>(65,786,526)</u>             |                       |
| <b>Component unit</b>                      | <u>\$ 5,086,275</u>  | <u>\$ 19,946</u>     | <u>\$ 187,692</u>                  | <u>\$ 59,167</u>                 |                                 | <u>\$ (4,819,470)</u> |
| General revenues:                          |                      |                      |                                    |                                  |                                 |                       |
| Property taxes                             |                      |                      |                                    | 10,275,054                       | -                               |                       |
| State equalization                         |                      |                      |                                    | 24,830,750                       | 3,026,149                       |                       |
| Specific ownership taxes                   |                      |                      |                                    | 1,635,272                        | -                               |                       |
| Investment earnings                        |                      |                      |                                    | 28,576                           | 89                              |                       |
| Federal mineral and forest leasing         |                      |                      |                                    | 14,957                           | -                               |                       |
| Insurance proceeds and other miscellaneous |                      |                      |                                    | 14,897                           | -                               |                       |
| Gain on sale of assets                     |                      |                      |                                    | 12,850                           | -                               |                       |
| Premiums in excess of claims               |                      |                      |                                    | 1,058,904                        | -                               |                       |
| Total general revenues                     |                      |                      |                                    | <u>37,871,260</u>                | <u>3,026,238</u>                |                       |
| Change in net position                     |                      |                      |                                    | (27,915,266)                     | (1,793,232)                     |                       |
| Net position - beginning                   |                      |                      |                                    | (37,736,400)                     | (5,227,195)                     |                       |
| Change in accounting principle             |                      |                      |                                    | (3,468,929)                      | (215,844)                       |                       |
| Net position - beginning, restated         |                      |                      |                                    | (41,205,329)                     | (5,443,039)                     |                       |
| Net position - ending                      |                      |                      |                                    | <u>\$ (69,120,595)</u>           | <u>\$ (7,236,271)</u>           |                       |

The accompanying notes are an integral part of this statement.

Delta County Joint School District No. 50J

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

|   | General Fund         | Grants Fund       | Technical College | Building Fund       | Bond Redemption Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------|-------------------|---------------------|----------------------|-----------------------------|--------------------------|
| <b>ASSETS</b>   |                      |                   |                   |                     |                      |                             |                          |
| Cash and cash equivalents                                     | \$ 8,415,628         | \$ -              | \$ 629,216        | \$ 3,812,160        | \$ 2,846,319         | \$ 1,699,813                | \$ 17,403,136            |
| Restricted cash and investments                               | 3,769,240            | -                 | -                 | -                   | -                    | -                           | 3,769,240                |
| Receivables:  |                      |                   |                   |                     |                      |                             |                          |
| Taxes   | 755,801              | -                 | -                 | -                   | 174,029              | -                           | 929,830                  |
| Grants  | -                    | 761,463           | 135,925           | 653,952             | -                    | -                           | 1,551,340                |
| Due from other funds  | 177,070              | -                 | -                 | -                   | -                    | -                           | 177,070                  |
| Other receivables   | 95,084               | -                 | 52,578            | -                   | -                    | 43,170                      | 190,832                  |
| Inventory   | 81,684               | -                 | 87,478            | -                   | -                    | 89,732                      | 258,894                  |
| Prepaid expense   | 24,533               | 2,912             | 24,254            | -                   | -                    | 1,576                       | 53,275                   |
| <b>Total assets</b>   | <b>\$ 13,319,040</b> | <b>\$ 764,375</b> | <b>\$ 929,451</b> | <b>\$ 4,466,112</b> | <b>\$ 3,020,348</b>  | <b>\$ 1,834,291</b>         | <b>\$ 24,333,617</b>     |
| <b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>       |                      |                   |                   |                     |                      |                             |                          |
| <b>Liabilities</b>  |                      |                   |                   |                     |                      |                             |                          |
| Accounts payable  | \$ 163,456           | \$ 4,059          | \$ 57,390         | \$ 614,231          | \$ -                 | \$ 145,922                  | \$ 985,058               |
| Accrued salaries and benefits                                 | 1,882,389            | 219,359           | 40,442            | -                   | -                    | 69,668                      | 2,211,858                |
| Due to other funds  | -                    | 154,979           | -                 | -                   | -                    | 22,091                      | 177,070                  |
| Claims payable  | 313,732              | -                 | -                 | -                   | -                    | -                           | 313,732                  |
| Unearned revenue  | 54,045               | 385,978           | 43,032            | -                   | -                    | -                           | 483,055                  |
| <b>Total liabilities</b>                                      | <b>2,413,622</b>     | <b>764,375</b>    | <b>140,864</b>    | <b>614,231</b>      | <b>-</b>             | <b>237,681</b>              | <b>4,170,773</b>         |
| Deferred inflow of resources                                  |                      |                   |                   |                     |                      |                             |                          |
| Unavailable property tax                                      | 590,768              | -                 | -                 | -                   | 133,295              | -                           | 724,063                  |
| <b>Total deferred inflows</b>                                 | <b>590,768</b>       | <b>-</b>          | <b>-</b>          | <b>-</b>            | <b>133,295</b>       | <b>-</b>                    | <b>724,063</b>           |
| <b>Fund balances</b>  |                      |                   |                   |                     |                      |                             |                          |
| <b>Nonspendable:</b>  |                      |                   |                   |                     |                      |                             |                          |
| Inventories and prepaid expenses                              | 106,217              | -                 | 111,732           | -                   | -                    | 91,308                      | 309,257                  |
| <b>Restricted for:</b>  |                      |                   |                   |                     |                      |                             |                          |
| TABOR emergency reserve                                       | 1,213,681            | -                 | 44,947            | -                   | -                    | -                           | 1,258,628                |
| Preschool   | 289,732              | -                 | -                 | -                   | -                    | -                           | 289,732                  |
| Debt service  | -                    | -                 | -                 | -                   | 2,887,053            | -                           | 2,887,053                |
| <b>Assigned to:</b>   |                      |                   |                   |                     |                      |                             |                          |
| Employee health claims payable                                | 3,455,508            | -                 | -                 | -                   | -                    | -                           | 3,455,508                |
| Food service  | -                    | -                 | -                 | -                   | -                    | 446,803                     | 446,803                  |
| Student activities  | -                    | -                 | -                 | -                   | -                    | 547,621                     | 547,621                  |
| Capital projects  | -                    | -                 | -                 | 3,851,881           | -                    | 510,878                     | 4,362,759                |
| DAAL  | 23,032               | -                 | -                 | -                   | -                    | -                           | 23,032                   |
| Technical College operations                                  | -                    | -                 | 631,908           | -                   | -                    | -                           | 631,908                  |
| Unassigned  | 5,226,480            | -                 | -                 | -                   | -                    | -                           | 5,226,480                |
| <b>Total fund balances</b>                                    | <b>10,314,650</b>    | <b>-</b>          | <b>788,587</b>    | <b>3,851,881</b>    | <b>2,887,053</b>     | <b>1,596,610</b>            | <b>19,438,781</b>        |
| <b>Total liabilities, deferred inflows, and fund balances</b> | <b>\$ 13,319,040</b> | <b>\$ 764,375</b> | <b>\$ 929,451</b> | <b>\$ 4,466,112</b> | <b>\$ 3,020,348</b>  | <b>\$ 1,834,291</b>         | <b>\$ 24,333,617</b>     |

The accompanying notes are an integral part of this statement.

Delta County Joint School District No. 50J

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

June 30, 2018

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

|   |                    |                        |
|---|--------------------|------------------------|
| Total fund balances - governmental funds  |                    | \$ 19,438,781          |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$100,672,790 and the accumulated depreciation is \$50,055,610.   |                    | 50,617,180             |
| Revenue related to property taxes receivable in the funds is only presented for "available" amounts as defined in the footnotes. The remainder is a deferred inflow in the funds. All of the revenue related to the property tax receivable is recognized in the statement of activities. This the amount of the difference between the two treatments. |                    | 724,063                |
| Bond discounts, premiums, and losses on refunding are reported as other financing items in governmental funds; however, they are recorded as assets, liabilities, or deferred outflows in the statement of net position and amortized over the life of the bonds to which they are related.   |                    |                        |
| Bond premiums   | (1,080,615)        |                        |
| Less accumulated accretion  | <u>813,256</u>     | (267,359)              |
| Loss on refunding   |                    | 326,696                |
| Accrued interest is not due and payable in the current year, and therefore, is not reported in governmental funds.  |                    | (31,230)               |
| Long-term liabilities are not due and payable in the current period, and therefore, are not reported in governmental funds.   |                    |                        |
| Compensated absences payable  | (511,553)          |                        |
| Early retirement payable  | (284,068)          |                        |
| Bonds payable   | (10,095,000)       |                        |
| Certificates of Participation payable   | <u>(2,175,553)</u> | (13,066,174)           |
| Net pension and OPEB liabilities and the related deferred inflows and outflows of resources are not recorded in the funds.  |                    | <u>(126,862,552)</u>   |
| Total net assets - governmental activities  |                    | <u>\$ (69,120,595)</u> |

The accompanying notes are an integral part of this statement.

Delta County Joint School District No. 50J

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2018

|  | General<br>Fund      | Grants<br>Fund   | Technical<br>College | Building<br>Fund    | Bond<br>Redemption<br>Fund | Nonmajor<br>Governmental<br>Funds | Total                |
|--|----------------------|------------------|----------------------|---------------------|----------------------------|-----------------------------------|----------------------|
| <b>Revenues</b>  |                      |                  |                      |                     |                            |                                   |                      |
| General property taxes   | \$ 8,133,159         | \$ -             | \$ -                 | \$ -                | \$ 1,930,715               | \$ -                              | \$ 10,063,874        |
| Specific ownership taxes   | 1,635,272            | -                | -                    | -                   | -                          | -                                 | 1,635,272            |
| Intergovernmental  |                      |                  |                      |                     |                            |                                   |                      |
| Federal sources  | 398,550              | 2,555,320        | 486,439              | -                   | -                          | 1,351,757                         | 4,792,066            |
| State sources  | 25,394,268           | 1,770,353        | 1,226,165            | 653,952             | -                          | 31,217                            | 29,075,955           |
| Local government sources   | 1,384,956            | 677,310          | 67,923               | -                   | -                          | 16,018                            | 2,146,207            |
| Interest and other revenues  | 1,156,680            | -                | 1,178,343            | -                   | 24,395                     | 1,746,321                         | 4,105,739            |
| <b>Total revenues</b>  | <b>38,102,885</b>    | <b>5,002,983</b> | <b>2,958,870</b>     | <b>653,952</b>      | <b>1,955,110</b>           | <b>3,145,313</b>                  | <b>51,819,113</b>    |
| <b>Expenditures</b>  |                      |                  |                      |                     |                            |                                   |                      |
| Current  |                      |                  |                      |                     |                            |                                   |                      |
| Instructional services   | 20,063,073           | 3,148,730        | 1,422,406            | -                   | -                          | -                                 | 24,634,209           |
| Pupil services   | 894,556              | 1,088,460        | 880,229              | -                   | -                          | -                                 | 2,863,245            |
| Instructional staff support  | 883,446              | 678,976          | -                    | -                   | -                          | -                                 | 1,562,422            |
| General administration   | 617,706              | -                | -                    | -                   | -                          | -                                 | 617,706              |
| School administration  | 3,058,056            | -                | -                    | -                   | -                          | -                                 | 3,058,056            |
| Business support   | 522,395              | -                | 443,722              | -                   | -                          | -                                 | 966,117              |
| Operations and maintenance   | 3,746,887            | -                | -                    | -                   | -                          | -                                 | 3,746,887            |
| Transportation   | 1,605,997            | -                | -                    | -                   | -                          | -                                 | 1,605,997            |
| Central services   | 1,291,130            | -                | -                    | -                   | -                          | 1,485,602                         | 2,776,732            |
| Community services   | 18,460               | 86,817           | -                    | -                   | -                          | -                                 | 105,277              |
| Student aid programs   | -                    | -                | 53,132               | -                   | -                          | -                                 | 53,132               |
| Food service   | -                    | -                | -                    | -                   | -                          | 1,684,924                         | 1,684,924            |
| Capital outlay   | 758,953              | -                | 204,784              | 873,071             | -                          | 1,717,358                         | 3,554,166            |
| Debt service   |                      |                  |                      |                     |                            |                                   |                      |
| Principal  | 32,201               | -                | -                    | -                   | 1,525,000                  | 334,232                           | 1,891,433            |
| Interest and fiscal charges  | 1,739                | -                | -                    | -                   | 323,869                    | 73,224                            | 398,832              |
| <b>Total expenditures</b>  | <b>33,494,599</b>    | <b>5,002,983</b> | <b>3,004,273</b>     | <b>873,071</b>      | <b>1,848,869</b>           | <b>5,295,340</b>                  | <b>49,519,135</b>    |
| <b>EXCESS OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b>                                      | <b>4,608,286</b>     | <b>-</b>         | <b>(45,403)</b>      | <b>(219,119)</b>    | <b>106,241</b>             | <b>(2,150,027)</b>                | <b>2,299,978</b>     |
| <b>Other financing sources (uses)</b>  |                      |                  |                      |                     |                            |                                   |                      |
| Transfers in (out)   | (5,861,921)          | -                | -                    | 4,071,000           | -                          | 1,790,921                         | -                    |
| Debt proceeds  | -                    | -                | -                    | -                   | -                          | 380,000                           | 380,000              |
| <b>Total other financing sources (uses)</b>  | <b>(5,861,921)</b>   | <b>-</b>         | <b>-</b>             | <b>4,071,000</b>    | <b>-</b>                   | <b>2,170,921</b>                  | <b>380,000</b>       |
| <b>EXCESS OF REVENUES AND<br/>OTHER SOURCES OVER (UNDER)<br/>EXPENDITURES AND OTHER USES</b> | <b>(1,253,635)</b>   | <b>-</b>         | <b>(45,403)</b>      | <b>3,851,881</b>    | <b>106,241</b>             | <b>20,894</b>                     | <b>2,679,978</b>     |
| Fund balances beginning of year  | 11,568,285           | -                | 833,990              | -                   | 2,780,812                  | 1,575,716                         | 16,758,803           |
| Fund balances end of year  | <u>\$ 10,314,650</u> | <u>\$ -</u>      | <u>\$ 788,587</u>    | <u>\$ 3,851,881</u> | <u>\$ 2,887,053</u>        | <u>\$ 1,596,610</u>               | <u>\$ 19,438,781</u> |

The accompanying notes are an integral part of this statement.

Delta County Joint School District No. 50J

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year ended June 30, 2018

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

|  |  |              |
|--|--|--------------|
| Net change in fund balances - total governmental funds |  | \$ 2,679,978 |
|--|--|--------------|

Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount by which depreciation exceeded capital outlay.

|  |                    |           |
|--|--------------------|-----------|
| Capital outlay                                 | 2,131,404          |           |
| Depreciation expense - governmental activities | <u>(2,758,272)</u> | (626,868) |

In the governmental funds, expenditures for compensated absences, early retirement, and pension and other post-employment are measured by the amount of financial resources used (essentially, the amounts actually paid to employees), whereas in the statement of activities, they are measured as the benefits are earned by employees during the year.

These amounts (increased)/decreased by:

|   |                 |              |
|---|-----------------|--------------|
| Compensated absences                      | (7,276)         |              |
| Early retirement payable                  | 111,083         |              |
| Pension expense                           | (31,528,676)    |              |
| Other post employment benefit obligations | <u>(99,808)</u> | (31,524,677) |

Interest expense is recognized as an expenditure in the governmental funds when due, which requires the use of current financial resources; however, in the statement of activities, interest expense is recognized as the interest accrues regardless of when it is due. This amount is the decrease in accrued interest for the year.

3,508

Some levied property taxes will not be collected until after the District's year end, which are not considered "available" revenues in the governmental funds. However, they are recognizable in the statement of activities. This amount is the decrease in unearned property taxes for the year.

211,180

Proceeds from debt issuance provide current financial resources to governmental funds, but increase liabilities in the statement of net position. Principal repayment is an expenditure in the governmental funds, but reduces liabilities in the statement of net position.

|                         |  |           |
|-------------------------|--|-----------|
| Debt proceeds           |  | (380,000) |
| Debt principal payments |  | 1,706,433 |

Discounts and premiums on the issuance of debt reduce or increase current financial resources in the governmental funds at the time of the issuance. However, these items are allocated over the term of the debt on the statement of activities.

|   |                             |                        |
|---|-----------------------------|------------------------|
| Amortization of loss on refunding                 | (112,020)                   |                        |
| Bond premium accretion                            | 127,200                     | 15,180                 |
| Change in net position of governmental activities | <u>                    </u> | <u>\$ (27,915,266)</u> |

The accompanying notes are an integral part of this statement.

## Delta County Joint School District No. 50J

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GENERAL FUND - BUDGET AND ACTUAL

Year ended June 30, 2018

|                                      | Budgeted Amounts   |                    | Actual               | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------|--------------------|--------------------|----------------------|---|
|                                      | Original           | Final              |                      |   |
| <b>Revenues</b>                      |                    |                    |                      |   |
| General property taxes               | \$ 8,806,417       | \$ 7,902,080       | \$ 8,133,159         | \$ 231,079  |
| Specific ownership taxes             | 1,313,000          | 1,400,000          | 1,635,272            | 235,272   |
| Intergovernmental:                   |                    |                    |                      |   |
| Federal sources                      | 340,000            | 293,778            | 398,550              | 104,772   |
| State sources                        | 24,407,209         | 25,415,378         | 25,394,268           | (21,110)  |
| Local government sources             | 1,018,831          | 1,196,193          | 1,384,956            | 188,763   |
| Interest and other revenues          | 52,000             | 46,956             | 1,156,680            | 1,109,724   |
| Total revenues                       | <u>35,937,457</u>  | <u>36,254,385</u>  | <u>38,102,885</u>    | <u>1,848,500</u>  |
| <b>Expenditures</b>                  |                    |                    |                      |   |
| Current                              |                    |                    |                      |   |
| Instructional services               | 21,318,920         | 20,663,059         | 20,063,073           | 599,986   |
| Pupil services                       | 945,566            | 935,152            | 894,556              | 40,596  |
| Instructional staff support          | 822,297            | 878,884            | 883,446              | (4,562)   |
| General administration               | 648,449            | 631,022            | 617,706              | 13,316  |
| School administration                | 2,174,340          | 3,059,839          | 3,058,056            | 1,783   |
| Business support                     | 512,237            | 519,894            | 522,395              | (2,501)   |
| Operation and maintenance            | 3,736,972          | 3,776,179          | 3,746,887            | 29,292  |
| Transportation                       | 1,605,297          | 1,603,238          | 1,605,997            | (2,759)   |
| Central services                     | 1,290,293          | 1,304,766          | 1,291,130            | 13,636  |
| Community services                   | 76,510             | 32,472             | 18,460               | 14,012  |
| Debt service                         |                    |                    |                      |   |
| Principal                            | 33,500             | 33,500             | 32,201               | 1,299   |
| Interest                             | -                  | -                  | 1,739                | (1,739)   |
| Capital outlay                       | 811,648            | 739,669            | 758,953              | (19,284)  |
| Contingency                          | 573,926            | -                  | -                    | -   |
| Total expenditures                   | <u>34,549,955</u>  | <u>34,177,674</u>  | <u>33,494,599</u>    | <u>683,075</u>  |
| <b>EXCESS OF REVENUES</b>            |                    |                    |                      |   |
| <b>OVER (UNDER) EXPENDITURES</b>     | 1,387,502          | 2,076,711          | 4,608,286            | 2,531,575   |
| Other financing sources (uses)       |                    |                    |                      |   |
| Transfers in (out)                   | (1,387,502)        | (5,816,921)        | (5,861,921)          | (45,000)  |
| Total other financing sources (uses) | <u>(1,387,502)</u> | <u>(5,816,921)</u> | <u>(5,861,921)</u>   | <u>(45,000)</u>   |
| <b>EXCESS OF REVENUES AND</b>        |                    |                    |                      |   |
| <b>OTHER SOURCES OVER (UNDER)</b>    |                    |                    |                      |   |
| <b>EXPENDITURES AND OTHER USES</b>   | -                  | (3,740,210)        | (1,253,635)          | 2,486,575   |
| Fund balance beginning of year       | -                  | 3,740,210          | 11,568,285           | 7,828,075   |
| Fund balance end of year             | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ 10,314,650</u> | <u>\$ 10,314,650</u>                                    |

The accompanying notes are an integral part of this statement.

## Delta County Joint School District No. 50J

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GRANTS FUND - BUDGET AND ACTUAL

Year ended June 30, 2018

|   | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|------------------|------------------|---|
|   | Original         | Final            |                  |   |
| <b>Revenues</b>   |                  |                  |                  |   |
| Intergovernmental:  |                  |                  |                  |   |
| Local sources   | \$ 582,418       | \$ 675,936       | \$ 677,310       | \$ 1,374  |
| State sources   | 1,540,626        | 1,552,765        | 1,770,353        | 217,588   |
| Federal sources   | 2,289,847        | 2,737,405        | 2,555,320        | (182,085)   |
| <b>Total revenues</b>   | <b>4,412,891</b> | <b>4,966,106</b> | <b>5,002,983</b> | <b>36,877</b>   |
| <b>Expenditures</b>   |                  |                  |                  |   |
| Current   |                  |                  |                  |   |
| Instructional services  | 2,863,298        | 3,198,564        | 3,148,730        | 49,834  |
| Pupil support   | 932,196          | 874,537          | 1,088,460        | (213,923)   |
| Instructional staff support                                   | 519,897          | 795,509          | 678,976          | 116,533   |
| Community services  | 97,500           | 97,496           | 86,817           | 10,679  |
| <b>Total expenditures</b>                                     | <b>4,412,891</b> | <b>4,966,106</b> | <b>5,002,983</b> | <b>(36,877)</b>   |
| <b>EXCESS OF REVENUES<br/>      OVER (UNDER) EXPENDITURES</b> | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>  |
| Fund balance beginning of year                                | -                | -                | -                | -   |
| Fund balance end of year                                      | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ -</b>   |

## Delta County Joint School District No. 50J

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TECHNICAL COLLEGE - BUDGET AND ACTUAL

Year ended June 30, 2018

|   | Budgeted Amounts  |                   | Actual            | Variance with                          |
|---|-------------------|-------------------|-------------------|--|
|   | Original          | Final             |                   | Final Budget<br>Positive<br>(Negative) |
| <b>Revenues</b>   |                   |                   |                   |  |
| Tuition, fees and services                                  | \$ 1,287,390      | \$ 1,126,269      | \$ 1,116,504      | \$ (9,765)                             |
| Intergovernmental:  |                   |                   |                   |  |
| Local government sources                                    | 108,800           | 88,700            | 67,923            | (20,777)                               |
| State sources   | 1,226,165         | 1,226,165         | 1,226,165         | -                                      |
| Federal sources   | 557,592           | 798,463           | 486,439           | (312,024)                              |
| Interest and other revenues                                 | 265,355           | 252,201           | 451,777           | 199,576                                |
| <b>Total revenues</b>                                       | <b>3,445,302</b>  | <b>3,491,798</b>  | <b>3,348,808</b>  | <b>(142,990)</b>                       |
| <b>Expenditures</b>   |                   |                   |                   |  |
| <b>Current</b>  |                   |                   |                   |  |
| Instructional services                                      | 1,454,618         | 1,377,213         | 1,422,406         | (45,193)                               |
| Supporting services   | 874,802           | 1,080,689         | 880,229           | 200,460                                |
| Business support services                                   | 543,628           | 523,458           | 443,722           | 79,736                                 |
| Student aid programs  | 420,000           | 420,000           | 443,070           | (23,070)                               |
| Capital outlay  | 152,254           | 129,593           | 204,784           | (75,191)                               |
| <b>Total expenditures</b>                                   | <b>3,445,302</b>  | <b>3,530,953</b>  | <b>3,394,211</b>  | <b>136,742</b>                         |
| <b>EXCESS OF REVENUES<br/>    OVER (UNDER) EXPENDITURES</b> | <b>-</b>          | <b>(39,155)</b>   | <b>(45,403)</b>   | <b>(6,248)</b>                         |
| Fund balance beginning of year                              | 833,992           | 833,992           | 833,990           | (2)                                    |
| Fund balance end of year                                    | <u>\$ 833,992</u> | <u>\$ 794,837</u> | <u>\$ 788,587</u> | <u>\$ (6,250)</u>                      |

The accompanying notes are an integral part of this statement.

Delta County Joint School District No. 50J

STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS

June 30, 2018

|                                     | <u>Private Purpose<br/>Trust Funds</u> | <u>Agency<br/>Funds</u> |
|-------------------------------------|--|-------------------------|
| <b>ASSETS</b>                       |  |                         |
| Cash and cash equivalents           | \$ 4,721                               | \$ 23,704               |
| Total assets                        | <u>\$ 4,721</u>                        | <u>\$ 23,704</u>        |
| <b>LIABILITIES AND NET POSITION</b> |  |                         |
| <b>Liabilities</b>                  |  |                         |
| Due to student groups               | \$ -                                   | \$ 23,704               |
| Total liabilities                   | -                                      | 23,704                  |
| <b>Net position</b>                 |  |                         |
| Restricted for perpetuity           | 2,251                                  | -                       |
| Restricted for scholarships         | <u>2,470</u>                           | <u>-</u>                |
| Total net position                  | <u>4,721</u>                           | <u>-</u>                |
| Total liabilities and net position  | <u>\$ 4,721</u>                        | <u>\$ 23,704</u>        |

The accompanying notes are an integral part of this statement.

Delta County Joint School District No. 50J

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS

Year ended June 30, 2018

|                         |                  | <u>Private Purpose<br/>Trust Funds</u> |
|-------------------------|------------------|--|
| ADDITIONS               |                  |  |
| Investment income       |                  | \$ 3                                   |
|                         | Total additions  | <u>3</u>                               |
| DEDUCTIONS              |                  |  |
| Scholarships            |                  | 11,087                                 |
|                         | Total deductions | <u>11,087</u>                          |
| Change in net position  |                  | (11,084)                               |
| Net position, beginning |                  | <u>15,805</u>                          |
| Net position, ending    |                  | <u><u>\$ 4,721</u></u>                 |

The accompanying notes are an integral part of this statement.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Delta County Joint School District No. 50J (the District) are prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

1. Financial Reporting Entity

The Delta County Joint School District No. 50-J is organized under the laws of the State of Colorado and is governed by an elected Board of Education.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes.

The Legislature of the State of Colorado enacted the “Charter School Act – Colorado Revised Statutes (CRS) Section 22-30.5-101” in 1993. This Act permits the District to contract with individuals and organization for the operation of schools within the District. The statutes define these contracted schools as “charter schools”. Charter schools are financed from a portion of the District’s School Finance Act revenues and from revenues generated by the charter schools, within the limits established by the Charter School Act. Charter schools have separate governing boards; however, the District’s Board of Education must approve all charter school applications and budgets. Based on criteria set forth in GASB Statements, the Vision Home & Community, Inc. dba Vision Charter Academy has been included in the District’s basic financial statements in a separate column, as a discretely presented component unit. Complete financial statements of Vision Charter Academy can be obtained from the administrative offices of the District.

The College is an entity legally separate from the District. Although it is legally separate from the District, the College is reported as if it were part of the primary government because it is governed by the same elected Board of Education of the District that exercises oversight and direction and retains accountability. The College issues a publicly available annual financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the College at 1765 Hwy 50 South, Delta, CO 81416 or by calling (970) 874-7671.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations that are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included in the reporting entity.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Based on the criteria discussed above, the financial statements of the reporting entity include those of the District (the primary government), the Technical College of the Rockies (a blended component unit), and Vision Charter Academy (the discretely presented component unit).

2. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of net position presents the financial condition of the activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the District.

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance by segregating transactions related to certain governmental functions or activities. The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Each major fund is presented in a separate column. All remaining governmental funds are aggregated and presented as nonmajor funds.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The District reports on the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to general statutory laws. The General Fund includes Insurance Reserve and Preschool Program activity.

Technical College of the Rockies – Technical College of the Rockies accounts for the activities of the vocational college. The College provides post-secondary vocational training in the Delta-Montrose and surrounding areas.

Bond Redemption Fund – The Bond Redemption Fund is used to account for the accumulation of resources for, and the payment of, long-term debt obligation principal, interest and related costs.

Grants Fund – The Grants Fund is used to account for revenues and expenditures as proscribed for various federal, state and local grantors as awarded to the District.

Building Fund – The Building Fund accounts for revenues and expenditures for the acquisition of capital sites, buildings and equipment.

The District reports the following fiduciary funds:

Private Purpose Trust Funds – These funds are used to report resources that are legally restricted to the extent that only earnings and not principal may be expended for student scholarships.

Agency Funds – These funds are maintained by the College and are monies held for student-managed activities and for activities of a state-managed small business development sub-center.

3. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statements of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide and governmental fund statements.

Basis of Accounting

While the measurement focus identifies which transactions and events should be recorded on the financial statements, the basis of accounting determines when transactions and economic events are reflected in financial statements.

*Exchange and Non-exchange Transactions*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available (often referred to as *susceptible to accrual*). Revenues are measurable when they are subject to reasonable estimation, while the available criterion is satisfied when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The District considers revenues to be available if they are expected to be collected within 60 days of the end of the year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Grants, entitlements, and interest are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when the conditions of the grants are satisfied. Property tax revenues are recognized when they are levied. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on long-term debt is recorded when due.

Government-wide financial statements are prepared using the accrual basis of accounting.

Governmental funds and agency funds use the modified accrual basis of accounting and the flow of current financial resources (measurement focus).

Private Purpose Trust Funds use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**4. Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by Colorado School District Budget Law for all funds of the District. The District legally adopted annual budgets for all of the District's funds for the year ended June 30, 2018.
- Prior to June 30, the budgets are adopted and appropriations made by formal resolution for the ensuing fiscal year commencing July 1. A public hearing on the proposed budget is held by the Board prior to adoption of the budget.
- Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds.
- Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on the final, legally amended budget.
- Appropriations lapse at the end of each year and the District's Board may adopt supplemental appropriations during the year. The Board legally amended the budget and adopted supplemental appropriations throughout the year totaling \$4,085,366 for the General Fund.

**5. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Equity/Net Position**

**a. Cash and Investments**

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last quoted market price. Cash deposits are reported at carrying amounts which reasonably estimates fair value.

**b. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

Emergencies and preschool activities – These are restrictions required by statutory law.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

c. Inventory

Inventory of the District’s Food Service Fund is valued as follows: Purchased food and non-food items are valued at cost, substantially on a first in-first out basis. U.S.D.A. donated commodity items are valued at U.S.D.A. unit pricing, substantially on a first in-first out basis.

Freight and delivery charges are not included in inventory valuations.

d. Interfund Assets/Liabilities

A summary of interfund receivables and payables follows.

| Fund            | INTERFUND         |                   |
|-----------------|-------------------|-------------------|
|                 | Receivable        | Payable           |
| General Fund    | \$ 177,070        | \$ –              |
| Grants Fund     | –                 | 154,979           |
| Non-major funds | –                 | 22,091            |
| Totals          | <u>\$ 177,070</u> | <u>\$ 177,070</u> |

Interfund balances within governmental activities are eliminated on the government-wide Statement of Net Position. The amounts were used to assist with cash flow.

e. Property Taxes Receivable

Property taxes attach as an enforceable lien on property as of January 1. They may be paid in either one installment (no later than April 30<sup>th</sup>) or two equal installments (no later than February 28<sup>th</sup> and June 15<sup>th</sup>) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon became delinquent on June 16<sup>th</sup>. Property taxes are levied and collected on behalf of the District by Delta, Mesa, Gunnison, and Montrose Counties and are reported as revenue when received by the county treasurers. The fund receivable represents unpaid property taxes. Those amounts received by the county treasurers after June 30, 2018, but within the 60 day availability measure are recorded as revenue in the funds. The remaining unrecognized revenue is presented as a deferred inflow in the funds.

f. Allowance for Doubtful Accounts

The allowance for doubtful accounts for 2018 and 2017 was \$10,220 and \$9,679 for student accounts receivable.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

g. Capital Assets

Capital assets purchased or acquired with an original cost in excess of the capitalization thresholds set by the District are reported at historical costs or estimated historical cost. The capitalization threshold for both the District and the College is \$5,000. Contributed assets are reported at fair value as of the date received. Infrastructure was retrospectively determined. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

|                        |             |
|------------------------|-------------|
| Buildings              | 20-50 years |
| Furniture and Fixtures | 20 years    |
| Equipment              | 3-15 years  |
| Vehicles               | 8 years     |
| Other Infrastructure   | 10-50 years |

h. Vacation, Sick Leave, and Other Compensated Absences

The accrued personal leave policy provides for accrual of personal leave at one day per month, equated to the individual's full month of service (those working on a nine-month basis receive nine days annually, those working on a twelve-month basis receive twelve days annually, etc.). District policy provides for unlimited accumulation of personal leave days accrued, and upon separation, payment at the rate of \$25.00 or \$12.50 per day for full-time and part-time employees, respectively. District Policy provides for vacation time for custodians, mechanics and District office staff, as well as comp time for custodians, aides and District office staff. Personnel that are in nine-month contracts do not accrue vacation pay. The accrued leave is reflected on the government-wide Statement of Net Position.

i. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities, that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the year. Bonds are recognized as a liability on the fund financial statements when due.

Accrued Salaries and Benefits – Salaries of teachers and other contracted personnel are accrued as required by the Revised Financial Policies and Procedures Handbook. Teachers' salaries are typically paid over a twelve-month period but are earned over a period of approximately nine months. This results in an outstanding liability at the end of the year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees’ Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF’s measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and June 30, 2018.

Adoption of GASB 75 – For the year ended June 30, 2018, the District adopted the provisions of Statement of Governmental Accounting Standards (GASB Statement) No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

Defined Benefit Other Post Employment Benefit Plan (OPEB) – The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

j. Fund Balances

In the fund financial statements the following classifications describe the relative strength of the spending constraints.

*Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

*Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

*Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Education, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Education.

*Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Education or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

*Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is District policy to use restricted amounts first. Unrestricted fund balance will be used in the following order; committed, assigned and unassigned.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

k. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

6. Scholarship Allowance

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowance in the statement of revenues, expenditures and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the Technical College, and the amount that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants such as Pell grants and all other federal, State or nongovernmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Technical College has recorded a scholarship allowance. The scholarship allowance in tuition and fees for the year end June 30, 2018 was \$389,938.

7. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as transfers. Interfund transfers are reported as other financing sources/uses in the governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

The following transfers were made during the current fiscal year:

\$50,000 was transferred from the General Fund to the Food Service Fund to subsidize operations.

\$93,841 was transferred from the General Fund to the Student Activity Fund to fund certain student activities.

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

\$941,456 was transferred from the General Fund to the Colorado Pre-School Fund that is included within the General Fund for reporting purposes, as required for State allocation purposes. \$30,000 was transferred from the Colorado Pre-School Fund to the General Fund for programs paid for by the General Fund.

\$1,647,080 was transferred from the General Fund to the Capital Reserve Fund to fund debt service and capital outlay.

\$4,071,000 was transferred from the General Fund to the Building Fund to fund capital outlay.

8. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

9. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and deferred outflows and liabilities and deferred inflows, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could vary from the estimates that were used.

10. Bond Discounts and Premiums

Bond discounts and premiums are amortized over the life of the related bonds. Premium accretion was \$127,200.

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

1. Material Violations

The District appears to be in compliance with all material legal, contractual and accounting provisions, as prescribed by federal and state laws and statutes.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE C – DEPOSITS AND INVESTMENTS**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

A summary of the District's cash and investments at June 30, 2018 is as follows:

|                            | <u>District</u>      | <u>College</u>    | <u>Total</u>         |
|----------------------------|----------------------|-------------------|----------------------|
| Cash on hand               | \$ 7,293             | \$ 830            | \$ 8,123             |
| Cash in banks              | 17,689,548           | 656,811           | 18,346,359           |
| Money Market               | <u>2,846,319</u>     | <u>–</u>          | <u>2,846,319</u>     |
| Total cash and investments | <u>\$ 20,543,160</u> | <u>\$ 657,641</u> | <u>\$ 21,200,801</u> |

As of June 30, 2018, the carrying amount of the College's deposits was \$656,811 and the bank balance was \$760,092. Of that balance \$283,479 was covered by FDIC insurance and \$476,613 was collateralized.

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, certain repurchase agreements, and local government investment pools. At June 30, 2018, the District had \$2,846,319 invested in the Wells Fargo Advantage Government Money Market Service.

Interest rate risk – The District does not have a formal policy limiting investment maturities, other than that established by state statute of five years, which would help manage its exposure to fair value losses from increasing interest rates.

Credit risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the District's and the College's policy to limit its investments to U.S. Treasury obligations, certain U.S. government agencies securities, commercial paper, local government investment pools, repurchase agreements and money market funds.

A reconciliation of the cash and investment components on the statement of net positions to the cash and investments categories in this footnote are as follows:

|                                 | <u>Governmental<br/>Funds</u> | <u>Fiduciary<br/>Funds</u> |
|---------------------------------|-------------------------------|----------------------------|
| Cash and investments            | \$ 14,556,817                 | \$ –                       |
| Restricted cash and investments | <u>6,615,559</u>              | <u>28,425</u>              |
| Total                           | <u>\$ 21,172,376</u>          | <u>\$ 28,425</u>           |

The restricted amounts are \$4,721 for scholarships, \$23,704 for agencies, \$3,769,240 for employee benefits, and \$2,846,319 for debt service.

## Delta County Joint School District No. 50J

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE D – PRIVATE PURPOSE SCHOLARSHIP TRUSTS**

Earnings on trust principal within the private purpose scholarship trust funds are used to support scholarship expenses and expenditures in accordance with the authority established for the funds.

**NOTE E – CAPITAL ASSETS**

Capital asset activity for Governmental Activities for the fiscal year ended June 30, 2018 was as follows:

|   | Balances at<br><u>6/30/17</u> | <u>Increases</u>   | <u>Decreases</u>    | Balances at<br><u>6/30/18</u> |
|---|-------------------------------|--------------------|---------------------|-------------------------------|
| <b>Governmental Activities</b>              |                               |                    |                     |                               |
| District                                    |                               |                    |                     |                               |
| Land  | \$ 593,306                    | \$ –               | \$ –                | \$ 593,306                    |
| Work in process                             | 429,359                       | 1,053,316          | (799,218)           | 683,457                       |
| Depreciable capital assets:                 |                               |                    |                     |                               |
| Buildings and improvements                  | 88,065,726                    | 929,807            | (129,192)           | 88,866,341                    |
| Food service                                | 499,378                       | –                  | –                   | 499,378                       |
| Furniture, equipment, vehicles              | <u>3,055,031</u>              | <u>768,681</u>     | <u>–</u>            | <u>3,823,712</u>              |
| Total District                              | <u>92,642,800</u>             | <u>2,751,804</u>   | <u>(928,410)</u>    | <u>94,466,194</u>             |
| College                                     |                               |                    |                     |                               |
| Land and intangibles                        | 29,639                        | 97,233             | –                   | 126,872                       |
| Depreciable capital assets:                 |                               |                    |                     |                               |
| Buildings and improvements                  | 5,013,095                     | 74,992             | –                   | 5,088,087                     |
| Furniture, equipment, vehicles              | <u>891,853</u>                | <u>130,099</u>     | <u>(30,315)</u>     | <u>991,637</u>                |
| Total College                               | <u>5,934,587</u>              | <u>302,324</u>     | <u>(30,315)</u>     | <u>6,206,596</u>              |
| Total capital assets                        | <u>98,577,387</u>             | <u>3,054,128</u>   | <u>(958,725)</u>    | <u>100,672,790</u>            |
| Less accumulated depreciation:              |                               |                    |                     |                               |
| District                                    |                               |                    |                     |                               |
| Buildings and improvements                  | (41,349,660)                  | (2,207,838)        | (5,686)             | (43,551,812)                  |
| Food service                                | (424,034)                     | (22,030)           | –                   | (446,064)                     |
| Furniture, equipment, vehicles              | <u>(1,510,879)</u>            | <u>(366,348)</u>   | <u>–</u>            | <u>(1,877,227)</u>            |
| District accumulated depreciation           | <u>(43,284,573)</u>           | <u>(2,596,216)</u> | <u>(5,686)</u>      | <u>(45,875,103)</u>           |
| College                                     |                               |                    |                     |                               |
| Buildings and improvements                  | (3,437,347)                   | (101,629)          | –                   | (3,538,976)                   |
| Furniture, equipment, vehicles              | <u>(611,419)</u>              | <u>(60,427)</u>    | <u>(30,315)</u>     | <u>(641,531)</u>              |
| College accumulated depreciation            | <u>(4,048,766)</u>            | <u>(162,056)</u>   | <u>(30,315)</u>     | <u>(4,180,507)</u>            |
| Total accumulated depreciation              | <u>(47,333,339)</u>           | <u>(2,758,272)</u> | <u>(36,001)</u>     | <u>(50,055,610)</u>           |
| Governmental Activities capital assets, net | <u>\$ 51,244,048</u>          | <u>\$ 295,856</u>  | <u>\$ (922,724)</u> | <u>\$ 50,617,180</u>          |

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE E – CAPITAL ASSETS – CONTINUED**

Depreciation expense for Governmental Activities was charged to governmental functions as follows:

|   |                    |
|---|--------------------|
| District  |                    |
| Instruction   | \$ 73,039          |
| Support: General Administration                               | 47,652             |
| Support: School Administration                                | 1,418              |
| Business: Operations and Maintenance                          | 4,130              |
| Food service  | 22,030             |
| Unallocated Depreciation                                      | <u>2,447,947</u>   |
| Total District  | <u>2,596,216</u>   |
| College   |                    |
| Instruction   | 160,069            |
| Support: General Administration                               | 649                |
| Unallocated Depreciation                                      | <u>1,338</u>       |
| Total College   | <u>162,056</u>     |
| Total depreciation expense charged to Governmental Activities | <u>\$2,758,272</u> |

**NOTE F – LONG-TERM OBLIGATIONS**

Changes in the District's long-term obligations during the year end June 30, 2018 were as follows:

|  | Balance at<br>6/30/17 | Addition          | Reductions            | Balance at<br>6/30/18 | Amounts<br>Due Within<br>One Year |
|--|-----------------------|-------------------|-----------------------|-----------------------|-----------------------------------|
| <b>Governmental Activities</b>             |                       |                   |                       |                       |                                   |
| BEST Program Certificates of Participation | \$ 1,933,842          | \$ –              | \$ (117,511)          | \$ 1,816,331          | \$ 122,019                        |
| General Obligation Bonds                   |                       |                   |                       |                       |                                   |
| Series 2011                                | 5,890,000             | –                 | (45,000)              | 5,845,000             | 210,000                           |
| Series 2011, Premium                       | 219,615               | –                 | (34,225)              | 185,390               | 34,225                            |
| Series 2012                                | 2,745,000             | –                 | (1,430,000)           | 1,315,000             | 1,315,000                         |
| Series 2012, Premium                       | 128,632               | –                 | (85,757)              | 42,875                | 42,875                            |
| Series 2014                                | 2,985,000             | –                 | (50,000)              | 2,935,000             | 55,000                            |
| Series 2014, Premium                       | <u>46,312</u>         | –                 | <u>(7,218)</u>        | <u>39,094</u>         | <u>7,218</u>                      |
| Total Bonds                                | <u>12,014,559</u>     | –                 | <u>(1,652,200)</u>    | <u>10,362,359</u>     | <u>1,664,318</u>                  |
| Capital lease-copiers                      | 43,144                | –                 | (32,201)              | 10,943                | 10,943                            |
| Lease purchase                             | –                     | 380,000           | (31,721)              | 348,279               | 34,120                            |
| Longevity                                  | 395,151               | 72,057            | (183,140)             | 284,068               | 138,916                           |
| Compensated Absences                       | <u>504,277</u>        | <u>7,276</u>      | –                     | <u>511,553</u>        | <u>511,553</u>                    |
| Total                                      | <u>\$ 14,890,973</u>  | <u>\$ 459,333</u> | <u>\$ (2,016,773)</u> | <u>\$ 13,333,533</u>  | <u>\$ 2,481,869</u>               |

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE F – LONG-TERM OBLIGATIONS – CONTINUED**

*General Obligation Refunding Bonds – Series 2011*

\$6,210,000 General Obligation Refunding Bonds were issued and dated October 6, 2011. These bonds carry an average interest rate of 3.12%. Payments of interest are due each June 1 and December 1, with principal payments due each December 1 through December 1, 2023. The Bonds are not subject to redemption prior to their respective maturity dates.

The annual debt service requirements for the Series 2011 bonded debt are as follows:

| Fiscal-Year<br>Ending June 30, | Principal           | Interest          | Total               |
|--------------------------------|---------------------|-------------------|---------------------|
| 2019                           | \$ 210,000          | \$ 181,350        | \$ 391,350          |
| 2020                           | 1,600,000           | 147,025           | 1,747,025           |
| 2021                           | 1,660,000           | 94,075            | 1,754,075           |
| 2022                           | 790,000             | 59,400            | 849,400             |
| 2023                           | 1,000,000           | 32,550            | 1,032,550           |
| 2024                           | 585,000             | 8,775             | 593,775             |
|                                | <u>\$ 5,845,000</u> | <u>\$ 523,175</u> | <u>\$ 6,368,175</u> |

*General Obligation Refunding Bonds – Series 2012*

\$8,685,000 General Obligation Refunding Bonds were issued and dated January 5, 2012. These bonds carry an average interest rate of 3.14%. Payments of interest are due each June 1 and December 1, with principal payments due each December 1 through December 1, 2018. The Bonds are not subject to redemption prior to their respective maturity dates.

The annual debt service requirements for the Series 2012 bonded debt are as follows:

| Fiscal-Year<br>Ending June 30, | Principal           | Interest         | Total               |
|--------------------------------|---------------------|------------------|---------------------|
| 2019                           | <u>\$ 1,315,000</u> | <u>\$ 26,937</u> | <u>\$ 1,341,937</u> |

*State of Colorado BEST Program Matching Money Bonds- Series 2010 B-C*

\$2,619,026 Matching Money Bonds Dated March 11, 2010. The interest rate is 3.84% payable semiannually on June 1 and December 1, principal payable December 1. Final maturity date is December 1, 2029.

The annual debt service requirements for the Series 2010 bonded debt are as follows:

| Fiscal-Year<br>Ending June 30, | Principal           | Interest          | Total               |
|--------------------------------|---------------------|-------------------|---------------------|
| 2019                           | \$ 122,019          | \$ 67,343         | \$ 189,362          |
| 2020                           | 126,700             | 62,572            | 189,272             |
| 2021                           | 131,561             | 57,618            | 189,179             |
| 2022                           | 136,608             | 52,474            | 189,082             |
| 2023                           | 141,849             | 47,133            | 188,982             |
| 2024-2028                      | 795,176             | 148,084           | 943,260             |
| 2029-2030                      | 362,418             | 14,035            | 376,453             |
|                                | <u>\$ 1,816,331</u> | <u>\$ 449,259</u> | <u>\$ 2,265,590</u> |

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE F – LONG-TERM OBLIGATIONS – CONTINUED**

*General Obligation Refunding Bonds – Series 2014*

\$3,115,000 General Obligation Refunding Bonds were issued and dated September 4, 2014. These bonds have interest rates varying from 3.65% to 4.30% per annum with an average interest rate of 2.26%. Payments of interest are due each June 1 and December 1, with principal payments due each December 1 through December 1, 2023. The Bonds are not subject to redemption prior to their respective maturity dates.

The annual debt service requirements for the Series 2014 bonded debt are as follows:

| Fiscal-Year<br>Ending June 30. | Principal           | Interest          | Total               |
|--------------------------------|---------------------|-------------------|---------------------|
| 2019                           | \$ 55,000           | \$ 65,100         | \$ 120,100          |
| 2020                           | 55,000              | 64,000            | 119,000             |
| 2021                           | 50,000              | 62,950            | 112,950             |
| 2022                           | 985,000             | 52,600            | 1,037,600           |
| 2023                           | 800,000             | 33,750            | 833,750             |
| 2024                           | 990,000             | 12,375            | 1,002,375           |
|                                | <u>\$ 2,935,000</u> | <u>\$ 290,775</u> | <u>\$ 3,225,775</u> |

*Capital Lease*

In November 2014 the District entered into a \$124,000 lease agreement for copiers. Payments on the lease began November 15, 2014 and continue until October 15, 2018. Debt service payments are subject to an annual appropriation. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The value of capital assets held under capital lease is \$124,000.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 are as follows:

| Fiscal-Year<br>Ending June 30.              |                  |
|---|------------------|
| 2019  | \$ 11,008        |
| Less amount representing interest           | <u>(65)</u>      |
| Present value of net minimum lease payments | <u>\$ 10,943</u> |

*Lease Purchase Agreement*

In August 2017 the District entered into a \$565,000 lease purchase agreement for real property and tenant improvements. An initial payment of \$185,000 was made September 1, 2017 with additional payments of \$3,668 monthly beginning on the lease October 1, 2017 and continuing until September 1, 2027, with interest at 2.99%. Debt service payments are subject to an annual appropriation.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE F – LONG-TERM OBLIGATIONS – CONTINUED**

The annual debt service requirements for the lease purchase debt are as follows:

| Fiscal-Year<br>Ending June 30, | Principal         | Interest         | Total             |
|--------------------------------|-------------------|------------------|-------------------|
| 2019                           | \$ 34,120         | \$ 9,891         | \$ 44,011         |
| 2020                           | 34,970            | 9,041            | 44,011            |
| 2021                           | 36,045            | 7,966            | 44,011            |
| 2022                           | 37,153            | 6,858            | 44,011            |
| 2023                           | 38,295            | 5,716            | 44,011            |
| 2024-2028                      | <u>167,696</u>    | <u>10,729</u>    | <u>178,425</u>    |
|                                | <u>\$ 348,279</u> | <u>\$ 50,201</u> | <u>\$ 398,480</u> |

**NOTE G – DEFINED BENEFIT PENSION PLAN**

**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](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2017.* 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.

June 30, 2018

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**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance 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.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) 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.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

*Contributions provisions as of June 30, 2018:* 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<br>Year<br>Ended<br>December<br>31, 2017 | For the<br>Year<br>Ended<br>December<br>31, 2018 |
|---|--|--|
| Employer contribution rate <sup>1</sup>   | 10.15%   | 10.15%   |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup> | (1.02)%  | (1.02)%  |
| Amount apportioned to the SCHDTF <sup>1</sup>   | 9.13%  | 9.13%  |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>                                    | 4.50%  | 4.50%  |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>                      | 5.00%  | 5.50%  |
| <b>Total employer contribution rate to the SCHDTF<sup>1</sup></b>   | <b>18.63%</b>                                    | <b>19.13%</b>                                    |

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$4,451,713 for the year ended June 30, 2018. The Technical College of the Rockies, a blended component unit of the District, recognized employer contributions of \$253,426 for the same period.

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

At June 30, 2018, the District (including the College) reported a liability of \$170,679,477 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The District proportion of the net pension liability was based on the District contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

At December 31, 2017, the District proportion (including the College) was .527824 percent, which was an increase of .041505 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District (not including the College) recognized pension expense of \$34,485,614. At June 30, 2018, the District (including the College) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|---|---|--|
| Difference between expected and actual experience   | \$3,138,077                               | \$-                                      |
| Changes of assumptions or other inputs  | 43,580,812                                | 276,554                                  |
| Net difference between projected and actual earnings on pension plan investments                                | -   | 6,702,745                                |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 6,487,669                                 | 1,115,052                                |
| Contributions subsequent to the measurement date  | 2,273,454                                 | N/A                                      |
| Total   | \$55,480,012                              | \$8,094,351                              |

\$2,273,454 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended June 30, 2018:</b> |                  |
|----------------------------------|------------------|
| 2019                             | \$<br>28,851,027 |
| 2020                             | 17,700,572       |
| 2021                             | 1,082,206        |
| 2022                             | (2,521,598)      |
| 2023                             | -                |
| Thereafter                       | -                |

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

*Actuarial assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

|   |   |
|---|---|
| Actuarial cost method   | Entry age                               |
| Price inflation   | 2.40 percent                            |
| Real wage growth  | 1.10 percent                            |
| Wage inflation  | 3.50 percent                            |
| Salary increases, including wage inflation  | 3.50 – 9.70 percent                     |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25 percent                            |
| Discount rate   | 5.26 percent                            |
| 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 |

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| <b>Asset Class</b>                | <b>Target Allocation</b> | <b>30 Year Expected Geometric Real Rate of Return</b> |
|-----------------------------------|--------------------------|---|
| U.S. Equity – Large Cap           | 21.20%                   | 4.30%   |
| U.S. Equity – Small Cap           | 7.42%                    | 4.80%   |
| Non U.S. Equity – Developed       | 18.55%                   | 5.20%   |
| Non U.S. Equity – Emerging        | 5.83%                    | 5.40%   |
| Core Fixed Income                 | 19.32%                   | 1.20%   |
| High Yield                        | 1.38%                    | 4.30%   |
| Non U.S. Fixed Income – Developed | 1.84%                    | 0.60%   |
| Emerging Market Debt              | 0.46%                    | 3.90%   |
| Core Real Estate                  | 8.50%                    | 4.90%   |
| Opportunity Fund                  | 6.00%                    | 3.80%   |
| Private Equity                    | 8.50%                    | 6.60%   |
| Cash                              | 1.00%                    | 0.20%   |
| <b>Total</b>                      | <b>100.00%</b>           |   |

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 7.25%.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

*Discount rate.* The discount rate used to measure the total pension liability was 4.78 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

*Sensitivity of the District 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 4.78 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 (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

|  | 1% Decrease<br>(3.78%) | Current Discount<br>Rate (4.78%) | 1% Increase<br>(5.78%) |
|--|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | \$215,597,208          | \$170,679,477                    | \$134,076,655          |

*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](http://www.copera.org/investments/pera-financial-reports).

**Changes between the measurement date of the net pension liability and June 30, 2018**

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.*

The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the District (including the College) reported a liability of \$170,679,477 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan’s year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

| Estimated Discount Rate<br>Calculated Using Plan Provisions<br>Required by SB 18-200<br>(pro forma) | Proportionate Share of the<br>Estimated Net Pension Liability<br>Calculated Using Plan Provisions<br>Required by SB 18-200<br>(pro forma) |
|---|---|
| 7.25%   | \$ 77,111,508   |

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$79,674,246 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

June 30, 2018

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**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

**General Information about the OPEB Plan**

*Plan description.* Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated.

All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

*PERA Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

*DPS Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

*Contributions.* Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$240,667 for the year ended June 30, 2018. The College recognized employer contributions of \$13,688 for the same period.

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

At June 30, 2018, the District (including the College) reported a liability of \$3,897,597 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District proportion (including the College) was .299908 percent, which was an increase of .02348 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District (not including the College) recognized OPEB expense of \$339,984. At June 30, 2018, the District (including the College) reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|---|---|--|
| Difference between expected and actual experience   | \$18,432                                  | \$–                                      |
| Net difference between projected and actual earnings on OPEB plan investments                                   | –   | 65,206                                   |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 270,617                                   | 16,201                                   |
| Contributions subsequent to the measurement date  | 121,219                                   | N/A                                      |
| <b>Total</b>  | <b>\$410,268</b>                          | <b>\$81,407</b>                          |

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

\$121,219 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Year ended June 30, 2018:</b> |           |
|----------------------------------|-----------|
| 2019                             | \$ 37,304 |
| 2020                             | 37,304    |
| 2021                             | 37,304    |
| 2022                             | 37,310    |
| 2023                             | 53,607    |
| Thereafter                       | 4,813     |

*Actuarial assumptions.* The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

|  |   |
|--|---|
| Actuarial cost method  | Entry age   |
| Price inflation  | 2.40 percent  |
| Real wage growth   | 1.10 percent  |
| Wage inflation   | 3.50 percent  |
| Salary increases, including wage inflation   | 3.50 percent in aggregate   |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25 percent  |
| Discount rate  | 7.25 percent  |
| Health care cost trend rates   |   |
| PERA benefit structure:  |   |
| Service-based premium subsidy  | 0.00 percent  |
| PERACare Medicare plans  | 5.00 percent  |
| Medicare Part A premiums   | 3.00 percent for 2017,<br>gradually rising to 4.25<br>percent in 2023 |
| DPS benefit structure:   |   |
| Service-based premium subsidy  | 0.00 percent  |
| PERACare Medicare plans  | N/A   |
| Medicare Part A premiums   | N/A   |

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services.

Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

| Year  | PERACare Medicare Plans | Medicare Part A Premiums |
|-------|-------------------------|--------------------------|
| 2017  | 5.00%                   | 3.00%                    |
| 2018  | 5.00%                   | 3.25%                    |
| 2019  | 5.00%                   | 3.50%                    |
| 2020  | 5.00%                   | 3.75%                    |
| 2021  | 5.00%                   | 4.00%                    |
| 2022  | 5.00%                   | 4.00%                    |
| 2023  | 5.00%                   | 4.25%                    |
| 2024+ | 5.00%                   | 4.25%                    |

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

| <b>Asset Class</b>                | <b>Target Allocation</b> | <b>30 Year Expected Geometric Real Rate of Return</b> |
|-----------------------------------|--------------------------|---|
| U.S. Equity – Large Cap           | 21.20%                   | 4.30%   |
| U.S. Equity – Small Cap           | 7.42%                    | 4.80%   |
| Non U.S. Equity – Developed       | 18.55%                   | 5.20%   |
| Non U.S. Equity – Emerging        | 5.83%                    | 5.40%   |
| Core Fixed Income                 | 19.32%                   | 1.20%   |
| High Yield                        | 1.38%                    | 4.30%   |
| Non U.S. Fixed Income – Developed | 1.84%                    | 0.60%   |
| Emerging Market Debt              | 0.46%                    | 3.90%   |
| Core Real Estate                  | 8.50%                    | 4.90%   |
| Opportunity Fund                  | 6.00%                    | 3.80%   |
| Private Equity                    | 8.50%                    | 6.60%   |
| Cash                              | 1.00%                    | 0.20%   |
| <b>Total</b>                      | <b>100.00%</b>           |   |

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 7.25%.

*Sensitivity of the District proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

|                                     | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|-------------------------------------|----------------------------|---------------------|----------------------------|
| PERACare Medicare trend rate        | 4.00%                      | 5.00%               | 6.00%                      |
| Initial Medicare Part A trend rate  | 2.00%                      | 3.00%               | 4.00%                      |
| Ultimate Medicare Part A trend rate | 3.25%                      | 4.25%               | 5.25%                      |
| Net OPEB Liability                  | \$3,790,360                | \$3,897,597         | \$4,026,759                |

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the District proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

|   | 1% Decrease<br>(6.25%) | Current Discount<br>Rate (7.25%) | 1% Increase<br>(8.25%) |
|---|------------------------|----------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$4,382,126            | \$3,897,597                      | \$3,484,041            |

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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**NOTE I – CONTINGENCIES**

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government.

The District is subject to various claims arising from events occurring in its ordinary operations. District management believes that the disposition of these matters will not have a material adverse effect on the financial position of the District.

The District is a defendant in a lawsuit that alleges that the District violated a former student's Constitutional rights, as well as various Colorado state laws. Management is currently unable to state whether the outcome will be favorable or unfavorable, or to state a range or amount of potential loss in the event of an unfavorable outcome.

**NOTE J – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors and omissions; injuries to employees; or acts of God. The District maintains commercial insurance for all risks of loss. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in any of the past three years.

**NOTE K – TAX, SPENDING AND DEBT LIMITATION**

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all Colorado local governments.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service, expenditures of Federal Awards, and others). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. The total emergency reserve was \$1,213,681 for the District and \$44,947 for the College as of June 30, 2018. In November 1999 the District's electorate passed a ballot issue allowing the District to collect, retain and expend revenues notwithstanding any of TABOR'S revenue limitations.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits (and qualification of a fund as an Enterprise Fund) will require judicial interpretation.

Delta County Joint School District No. 50J

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE L – FIDUCIARY FUND APPROPRIATIONS**

The schedule below is presented to demonstrate compliance with School District Budget Law.

|                                  | <u>Appropriation</u> | <u>Actual</u>    | Variance<br>Favorable<br>(Unfavorable) |
|----------------------------------|----------------------|------------------|--|
| Private Purpose Trust (District) | \$ 21,020            | \$ 11,075        | \$ 9,945                               |
| Private Purpose Trust (College)  | 4,700                | 12               | 4,688                                  |
| Student Activity Fund (College)  | 31,500               | 5,426            | 26,074                                 |
|                                  | <u>6/30/17</u>       | <u>Increases</u> | <u>Decreases</u>                       |
| Student Activity Fund activity   | \$ 24,082            | \$ 5,048         | \$ 23,704                              |

**NOTE M – BUDGET COMPLIANCE**

The Grant Fund had expenditures in excess of budgeted appropriations during the year ended June 30, 2018.

**NOTE N – CHANGE IN ACCOUNTING PRINCIPLE**

Effective July 1, 2017, the District retroactively changed its method of accounting for OPEB contributions and related obligations to conform to GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under the new accounting method, the District accrues a net OPEB liability related to its participation in a multiple employer cost sharing OPEB plan. The effect of the change decreased beginning net position for 2018 by \$3,468,929, from (\$37,736,400) to (\$41,205,329).

Delta County Joint School District No. 50J

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2018

| <u>Measurement date:</u> | <u>Employer proportion of NPL</u> | <u>Employer proportionate share of NPL</u> | <u>Employer covered payroll</u> | <u>Employer proportionate share of NPL as a percentage of covered payroll</u> | <u>Pension plan's fiduciary net position as a percentage of total pension liability</u> |
|--------------------------|-----------------------------------|--|---------------------------------|---|---|
| December 31, 2014        | 0.504986%                         | \$ 68,442,521                              | \$ 21,074,383                   | 325%  | 63%   |
| December 31, 2015        | 0.478450%                         | 73,175,613                                 | 20,790,060                      | 352%  | 59%   |
| December 31, 2016        | 0.486319%                         | 144,796,077                                | 21,823,534                      | 663%  | 43%   |
| December 31, 2017        | 0.527824%                         | 170,679,477                                | 24,334,396                      | 701%  | 44%   |

Delta County Joint School District No. 50J

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2018

|               | Required<br>employer<br>contribution | Employer<br>contributions<br>recognized by<br>the plan | Difference | Employer<br>covered payroll | Contributions as a<br>percentage of<br>employer covered<br>payroll |
|---------------|--------------------------------------|--|------------|-----------------------------|--|
| June 30, 2015 | \$ 3,492,919                         | \$ 3,492,919   | \$ -       | \$ 20,693,616               | 16.88%   |
| June 30, 2016 | 3,763,241                            | 3,763,241  | -          | 21,217,277                  | 17.74%   |
| June 30, 2017 | 4,102,950                            | 4,102,950  | -          | 22,319,585                  | 18.38%   |
| June 30, 2018 | 4,705,139                            | 4,705,139  | -          | 24,936,758                  | 18.87%   |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

For the measurement period ended December 31, 2016, the discount rate changed from 7.5% to 5.26%. This change significantly affected the total plan net pension liability and the employer share of the net pension liability. There were no other changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Delta County Joint School District No. 50J

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2018

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|                          | Employer<br>proportion of<br>NOPEBL | Employer<br>proportionate<br>share of<br>NOPEBL | Employer<br>covered payroll | Employer<br>proportionate<br>share of<br>NOPEBL as a<br>percentage of<br>covered payroll | OPEB plan's<br>fiduciary net<br>position as a<br>percentage of<br>total OPEB<br>liability |
|--------------------------|-------------------------------------|---|-----------------------------|--|---|
| <u>Measurement date:</u> |                                     |   |                             |  |   |
| December 31, 2017        | 0.299908%                           | \$ 3,897,598                                    | \$ 24,334,396               | 16%  | 18%   |

Delta County Joint School District No. 50J

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2018

|               | Required<br>employer<br>contribution | Employer<br>contributions<br>recognized by<br>the plan | Difference | Employer<br>covered payroll | Contributions as a<br>percentage of<br>employer covered<br>payroll |
|---------------|--------------------------------------|--|------------|-----------------------------|--|
| June 30, 2018 | \$ 254,355                           | \$ 254,355   | \$ -       | \$ 24,936,758               | 1.02%  |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

## Delta County Joint School District No. 50J

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2018

|  | Special Revenue         |                               | Capital<br>Projects        | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------------|-------------------------------|----------------------------|--|
|  | Food<br>Service<br>Fund | Student<br>Activities<br>Fund | Capital<br>Reserve<br>Fund |  |
| <b>ASSETS</b>                              |                         |                               |                            |  |
| Cash and cash equivalents                  | \$ 516,471              | \$ 569,712                    | \$ 613,630                 | \$ 1,699,813                               |
| Accounts receivable                        | -                       | -                             | 43,170                     | 43,170                                     |
| Inventory                                  | 89,732                  | -                             | -                          | 89,732                                     |
| Prepaid expense                            | 1,576                   | -                             | -                          | 1,576                                      |
| <b>Total assets</b>                        | <b>\$ 607,779</b>       | <b>\$ 569,712</b>             | <b>\$ 656,800</b>          | <b>\$ 1,834,291</b>                        |
| <b>LIABILITIES AND FUND BALANCES</b>       |                         |                               |                            |  |
| <b>Liabilities</b>                         |                         |                               |                            |  |
| Accounts payable                           | \$ -                    | \$ -                          | \$ 145,922                 | \$ 145,922                                 |
| Accrued salaries and benefits              | 69,668                  | -                             | -                          | 69,668                                     |
| Due to other funds                         | -                       | 22,091                        | -                          | 22,091                                     |
| <b>Total liabilities</b>                   | <b>69,668</b>           | <b>22,091</b>                 | <b>145,922</b>             | <b>237,681</b>                             |
| <b>Fund balances</b>                       |                         |                               |                            |  |
| Nonspendable                               | 91,308                  | -                             | -                          | 91,308                                     |
| Assigned                                   |                         |                               |                            |  |
| Food service                               | 446,803                 | -                             | -                          | 446,803                                    |
| Student activities                         | -                       | 547,621                       | -                          | 547,621                                    |
| Capital projects                           | -                       | -                             | 510,878                    | 510,878                                    |
| <b>Total fund balances</b>                 | <b>538,111</b>          | <b>547,621</b>                | <b>510,878</b>             | <b>1,596,610</b>                           |
| <b>Total liabilities and fund balances</b> | <b>\$ 607,779</b>       | <b>\$ 569,712</b>             | <b>\$ 656,800</b>          | <b>\$ 1,834,291</b>                        |

## Delta County Joint School District No. 50J

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2018

|  | Food<br>Service<br>Fund | Student<br>Activities<br>Fund | Capital<br>Projects<br>Capital<br>Reserve<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------------|-------------------------------|---|--|
| <b>Revenues</b>  |                         |                               |   |  |
| Intergovernmental:   |                         |                               |   |  |
| Local sources  | \$ -                    | \$ -                          | \$ 16,018   | \$ 16,018                                  |
| State sources  | 31,217                  | -                             | -   | 31,217                                     |
| Federal sources  | 1,351,757               | -                             | -   | 1,351,757                                  |
| Interest and other revenues  | 359,892                 | 1,386,429                     | -   | 1,746,321                                  |
| Total revenues   | <u>1,742,866</u>        | <u>1,386,429</u>              | <u>16,018</u>                                     | <u>3,145,313</u>                           |
| <b>Expenditures</b>  |                         |                               |   |  |
| Current  |                         |                               |   |  |
| School support services  | -                       | 1,485,602                     | -   | 1,485,602                                  |
| Food service   | 1,684,924               | -                             | -   | 1,684,924                                  |
| Debt service   |                         |                               |   |  |
| Principal  | -                       | -                             | 334,232   | 334,232                                    |
| Interest   | -                       | -                             | 73,224  | 73,224                                     |
| Capital outlay   | -                       | -                             | 1,717,358   | 1,717,358                                  |
| Total expenditures   | <u>1,684,924</u>        | <u>1,485,602</u>              | <u>2,124,814</u>                                  | <u>5,295,340</u>                           |
| <b>EXCESS OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b>                                      | 57,942                  | (99,173)                      | (2,108,796)                                       | (2,150,027)                                |
| <b>Other financing sources (uses)</b>  |                         |                               |   |  |
| Transfers in (out)   | 50,000                  | 93,841                        | 1,647,080   | 1,790,921                                  |
| Debt proceeds  | -                       | -                             | 380,000   | 380,000                                    |
|  | <u>50,000</u>           | <u>93,841</u>                 | <u>2,027,080</u>                                  | <u>2,170,921</u>                           |
| <b>EXCESS OF REVENUES AND<br/>OTHER SOURCES OVER (UNDER)<br/>EXPENDITURES AND OTHER USES</b> | 107,942                 | (5,332)                       | (81,716)  | 20,894                                     |
| Fund balances beginning of year  | <u>430,169</u>          | <u>552,953</u>                | <u>592,594</u>                                    | <u>1,575,716</u>                           |
| Fund balances end of year  | <u>\$ 538,111</u>       | <u>\$ 547,621</u>             | <u>\$ 510,878</u>                                 | <u>\$ 1,596,610</u>                        |

## Delta County Joint School District No. 50J

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOOD SERVICE FUND - BUDGET AND ACTUAL

Year ended June 30, 2018

|  | Budgeted Amounts |                  | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|-------------------|---|
|  | Original         | Final            |                   |   |
| <b>Revenues</b>  |                  |                  |                   |   |
| Food sales   | \$ 326,000       | \$ 326,000       | \$ 359,892        | \$ 33,892   |
| Intergovernmental:   |                  |                  |                   |   |
| State sources  | 30,500           | 30,500           | 31,217            | 717   |
| Federal sources  | 1,286,605        | 1,286,605        | 1,351,757         | 65,152  |
| <b>Total revenues</b>  | <b>1,643,105</b> | <b>1,643,105</b> | <b>1,742,866</b>  | <b>99,761</b>   |
| <b>Expenditures</b>  |                  |                  |                   |   |
| Food service   | 1,644,071        | 1,653,464        | 1,684,924         | (31,460)  |
| Contingency  | 49,034           | 39,641           | -                 | 39,641  |
| <b>Total expenditures</b>  | <b>1,693,105</b> | <b>1,693,105</b> | <b>1,684,924</b>  | <b>8,181</b>  |
| <b>EXCESS OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b>                                      | <b>(50,000)</b>  | <b>(50,000)</b>  | <b>57,942</b>     | <b>107,942</b>  |
| <b>Other financing sources (uses)</b>  |                  |                  |                   |   |
| Transfers in   | 50,000           | 50,000           | 50,000            | -   |
| <b>EXCESS OF REVENUES AND<br/>OTHER SOURCES OVER (UNDER)<br/>EXPENDITURES AND OTHER USES</b> | <b>-</b>         | <b>-</b>         | <b>107,942</b>    | <b>107,942</b>  |
| <b>Fund balance at beginning of year</b>   | <b>-</b>         | <b>-</b>         | <b>430,169</b>    | <b>430,169</b>  |
| <b>Fund balance at end of year</b>   | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 538,111</b> | <b>\$ 538,111</b>                                       |

Delta County Joint School District No. 50J

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
STUDENT ACTIVITIES FUND - BUDGET AND ACTUAL

Year ended June 30, 2018

|  | Budgeted Amounts |                  | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|-------------------|---|
|  | Original         | Final            |                   |   |
| <b>Revenues</b>  |                  |                  |                   |   |
| Student activity revenue   | \$ 1,450,000     | \$ 1,450,000     | \$ 1,386,429      | \$ (63,571)   |
| <b>Expenditures</b>  |                  |                  |                   |   |
| <b>Current</b>   |                  |                  |                   |   |
| School support services  | 1,500,000        | 1,500,000        | 1,485,602         | 14,398  |
| Contingency  | 645,248          | 645,248          | -                 | 645,248   |
| Total expenditures   | <u>2,145,248</u> | <u>2,145,248</u> | <u>1,485,602</u>  | <u>659,646</u>  |
| <b>EXCESS OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b>                                      | (695,248)        | (695,248)        | (99,173)          | 596,075   |
| <b>Other financing sources (uses)</b>  |                  |                  |                   |   |
| Transfers in (out)   | 93,841           | 93,841           | 93,841            | -   |
| Total other financing sources (uses)   | <u>93,841</u>    | <u>93,841</u>    | <u>93,841</u>     | <u>-</u>  |
| <b>EXCESS OF REVENUES AND<br/>OTHER SOURCES OVER (UNDER)<br/>EXPENDITURES AND OTHER USES</b> | (601,407)        | (601,407)        | (5,332)           | 596,075   |
| Fund balance beginning of year   | <u>601,407</u>   | <u>601,407</u>   | <u>552,953</u>    | <u>(48,454)</u>   |
| Fund balance end of year   | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 547,621</u> | <u>\$ 547,621</u>                                       |

Delta County Joint School District No. 50J

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUILDING FUND - BUDGET AND ACTUAL

Year ended June 30, 2018

|   | Budgeted Amounts |             | Actual       | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|-------------|--------------|---|
|   | Original         | Final       |              |   |
| Revenues  |                  |             |              |   |
| Grant income  | \$ -             | \$ -        | \$ 653,952   | \$ 653,952  |
| Expenditures, capital outlay  | -                | 4,071,000   | 873,071      | 3,197,929   |
| EXCESS OF REVENUES<br>OVER (UNDER) EXPENDITURES                                     | -                | (4,071,000) | (219,119)    | 3,851,881   |
| Other financing sources (uses)  |                  |             |              |   |
| Transfers in (out)  | -                | 4,071,000   | 4,071,000    | -   |
| Total other financing sources (uses)  | -                | 4,071,000   | 4,071,000    | -   |
| EXCESS OF REVENUES AND<br>OTHER SOURCES OVER (UNDER)<br>EXPENDITURES AND OTHER USES | -                | -           | 3,851,881    | 3,851,881   |
| Fund balance beginning of year  | -                | -           | -            | -   |
| Fund balance end of year  | \$ -             | \$ -        | \$ 3,851,881 | \$ 3,851,881  |

## Delta County Joint School District No. 50J

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
CAPITAL RESERVE FUND - BUDGET AND ACTUAL

Year ended June 30, 2018

|   | Budgeted Amounts |             | Actual      | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|-------------|-------------|---|
|   | Original         | Final       |             |   |
| Revenues  |                  |             |             |   |
| Intergovernmental:  |                  |             |             |   |
| Local sources   | \$ -             | \$ -        | \$ 16,018   | \$ 16,018   |
| Total revenues  | -                | -           | 16,018      | 16,018  |
| Expenditures  |                  |             |             |   |
| Capital outlay  | 1,053,778        | 2,163,524   | 1,717,358   | 446,166   |
| Debt service  |                  |             |             |   |
| Principal   | 338,511          | 339,211     | 334,232     | 4,979   |
| Interest  | 71,938           | 71,938      | 73,224      | (1,286)   |
| Contingency   | 400,000          | -           | -           | -   |
| Total expenditures  | 1,864,227        | 2,574,673   | 2,124,814   | 449,859   |
| EXCESS OF REVENUES<br>OVER (UNDER) EXPENDITURES                                     | (1,864,227)      | (2,574,673) | (2,108,796) | 465,877   |
| Other financing sources (uses)  |                  |             |             |   |
| Transfers in (out)  | 1,193,545        | 1,602,080   | 1,647,080   | 45,000  |
| Debt proceeds   | -                | 380,000     | 380,000     | -   |
| Total other financing sources (uses)  | 1,193,545        | 1,982,080   | 2,027,080   | 45,000  |
| EXCESS OF REVENUES AND<br>OTHER SOURCES OVER (UNDER)<br>EXPENDITURES AND OTHER USES | (670,682)        | (592,593)   | (81,716)    | 510,877   |
| Fund balance beginning of year  | 670,682          | 592,593     | 592,594     | 1   |
| Fund balance end of year  | \$ -             | \$ -        | \$ 510,878  | \$ 510,878  |

## Delta County Joint School District No. 50J

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BOND REDEMPTION FUND - BUDGET AND ACTUAL**

Year ended June 30, 2018

|   | Original<br>Budget | Final<br>Budget  | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|------------------|---------------------|---|
| <b>Revenues</b>   |                    |                  |                     |   |
| General property taxes                                  | \$ 1,880,274       | \$ 1,880,274     | \$ 1,930,715        | \$ 50,441   |
| Interest and other revenues                             | 1,500              | 1,500            | 24,395              | 22,895  |
| Total revenues  | <u>1,881,774</u>   | <u>1,881,774</u> | <u>1,955,110</u>    | <u>73,336</u>   |
| <b>Expenditures</b>                                     |                    |                  |                     |   |
| Contingency   | 32,905             | 32,905           | -                   | 32,905  |
| Debt service  |                    |                  |                     |   |
| Principal   | 1,525,000          | 1,525,000        | 1,525,000           | -   |
| Interest  | 323,869            | 323,869          | 323,869             | -   |
| Total expenditures                                      | <u>1,881,774</u>   | <u>1,881,774</u> | <u>1,848,869</u>    | <u>32,905</u>   |
| <b>EXCESS OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | -                  | -                | 106,241             | 106,241   |
| Fund balance beginning of year                          | -                  | -                | <u>2,780,812</u>    | <u>2,780,812</u>  |
| Fund balance end of year                                | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ 2,887,053</u> | <u>\$ 2,887,053</u>                                     |

Delta County Joint School District No. 50J

COMBINING SCHEDULE OF NET POSITION -  
FIDUCIARY FUNDS

June 30, 2018

|                                     | Private<br>Purpose<br>Trust (College) | Agency Funds<br>(College)<br>Student<br>Activity | Total            |
|-------------------------------------|---------------------------------------|--|------------------|
| <b>ASSETS</b>                       |                                       |  |                  |
| Cash and cash equivalents           | \$ 4,721                              | \$ 23,704  | \$ 28,425        |
| Total assets                        | <u>\$ 4,721</u>                       | <u>\$ 23,704</u>                                 | <u>\$ 28,425</u> |
| <b>LIABILITIES AND NET POSITION</b> |                                       |  |                  |
| <b>Liabilities</b>                  |                                       |  |                  |
| Due to student groups               | \$ -                                  | \$ 23,704  | \$ 23,704        |
| Total liabilities                   | -                                     | 23,704   | 23,704           |
| Restricted for perpetuities         | 2,251                                 | -  | 2,251            |
| Restricted for scholarships         | 2,470                                 | -  | 2,470            |
| Total net position                  | <u>4,721</u>                          | <u>-</u>   | <u>4,721</u>     |
| Total liabilities and net position  | <u>\$ 4,721</u>                       | <u>\$ 23,704</u>                                 | <u>\$ 28,425</u> |

Delta County Joint School District No. 50J

COMBINING SCHEDULE OF CHANGE IN NET POSITION -  
FIDUCIARY FUNDS

Year ended June 30, 2018

|                         | Private<br>Purpose<br>Trust (District) | Private<br>Purpose<br>Trust (College) | Total           |
|-------------------------|--|---------------------------------------|-----------------|
| <b>ADDITIONS</b>        |  |                                       |                 |
| Investment income       | \$ 2                                   | \$ 1                                  | \$ 3            |
| Total additions         | <u>2</u>                               | <u>1</u>                              | <u>3</u>        |
| <b>DEDUCTIONS</b>       |  |                                       |                 |
| Scholarships and fees   | 11,075                                 | 12                                    | 11,087          |
| Total deductions        | <u>11,075</u>                          | <u>12</u>                             | <u>11,087</u>   |
| Change in net position  | (11,073)                               | (11)                                  | (11,084)        |
| Net position, beginning | <u>11,073</u>                          | <u>4,732</u>                          | <u>15,805</u>   |
| Net position, ending    | <u>\$ -</u>                            | <u>\$ 4,721</u>                       | <u>\$ 4,721</u> |



Delta County Joint School District No. 50J

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2018

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u>                      | <u>Federal<br/>CFDA<br/>Number</u> | <u>State<br/>Pass-thru<br/>ID</u> | <u>2018<br/>Amount<br/>of Award<br/>Expended</u> |
|--|------------------------------------|-----------------------------------|--|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>  |                                    |                                   |  |
| Passed through Colorado Department of Education                                |                                    |                                   |  |
| School Breakfast Program   | 10.553                             | 4553                              | \$ 320,543                                       |
| National School Lunch Program (Commodities are \$124,624)                      | 10.555                             | 4555                              | <u>1,031,214</u>                                 |
| Child Nutrition Cluster  |                                    |                                   | 1,351,757  |
| Passed through counties  |                                    |                                   |  |
| Schools and Roads – Grants to States   | 10.665                             |                                   | <u>27,277</u>                                    |
| Total U.S. Department of Agriculture   |                                    |                                   | 1,379,034  |
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |                                    |                                   |  |
| Passed through Colorado Department of Education                                |                                    |                                   |  |
| Title I Grants to Local Educational Agencies                                   | 84.010                             | 4010                              | 831,068  |
| Special Education – Grants to States   | 84.027                             | 4027                              | 1,140,072  |
| Special Education – Preschool Grants   | 84.173                             | 4173                              | <u>13,432</u>                                    |
| Special Education Cluster  |                                    |                                   | 1,153,504  |
| Special Education – State Personnel Development                                | 84.323                             | 5323                              | 10,748   |
| Rural Education  | 84.358                             | 7358                              | 104,649  |
| English Language Acquisition State Grants                                      | 84.365                             | 4365                              | 11,955   |
| Improving Teacher Quality State Grants   | 84.367                             | 4367                              | 154,628  |
| Race to the Top  | 84.413                             | 5412                              | 3,602  |
| Student Support and Academic Enrichment Program                                | 84.424                             | 4424                              | 14,339   |
| Passed through Colorado Community College and Occupational<br>Education System |                                    |                                   |  |
| Career and Technical Education – Basic Grants to States                        | 84.048                             | 4048                              | <u>32,175</u>                                    |
| Total U.S. Department of Education   |                                    |                                   | 2,316,668  |
| <b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>                                    |                                    |                                   |  |
| Passed through Arizona State University  |                                    |                                   |  |
| Environmental Education Grants   | 66.951                             |                                   | 4,134  |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                            |                                    |                                   |  |
| Passed through Rocky Mountain SER  |                                    |                                   |  |
| Head Start   | 93.600                             |                                   | 234,517  |
| <b>U.S. DEPARTMENT OF DEFENSE</b>  |                                    |                                   |  |
| Direct   |                                    |                                   |  |
| Army Junior ROTC   | 12.XXX                             |                                   | <u>76,011</u>                                    |
| <b>Total federal awards expended</b>   |                                    |                                   | <b><u>\$ 4,010,364</u></b>                       |

Delta County Joint School District No. 50J

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2018

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**NOTE A – GENERAL**

The accompanying schedule of expenditures of federal awards includes the amount of federal grants expended by Delta County Joint School District No. 50J, during the year ended June 30, 2018. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

The District did not pass through any funds to subrecipients.

Commodities are valued based on current market value.

**NOTE B – BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. Non-cash expenditures are included in the schedule.

**NOTE C – INDIRECT COST RATE**

The District did not elect to use the 10 percent de minimus indirect cost rate.



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*

November 6, 2018

Board of Education  
Delta County Joint School District No. 50J  
Delta, Colorado

We have audited, 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Delta County Joint School District No. 50J, as of and for the year ended June 30, 2018, 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 6, 2018. The financial statements of Vision Charter Academy were not audited in accordance with *Government Auditing Standards*.

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 internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Board of Education  
Delta County Joint School District No. 50J  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delta County Joint School District No. 50J's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Chadwick, Steinkirchner, Davis & Co., P.C.*



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

November 6, 2018

Board of Education  
Delta County Joint School District No. 50J  
Delta, Colorado

Report on Compliance for Each Major Federal Program

We have audited Delta County Joint School District No. 50J's compliance of with the types of compliance requirements described in the *OMB 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, 2018. Delta County Joint School District No. 50J'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 Delta County Joint School District No. 50J'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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Delta County Joint School District No. 50J'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 on Delta County Joint School District No. 50J's compliance.

Opinion on Each Major Federal Program

In our opinion, Delta County Joint School District No. 50J 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, 2018.



Board of Education  
Delta County Joint School District No. 50J  
Page Two

Report on Internal Control over Compliance

Management of Delta County Joint School District No. 50J 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 Delta County Joint School District No. 50J'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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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. 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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Chadwick, Steinkirchner, Davis & Co., P.C.*

Delta County Joint School District No. 50J

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

|   |                           |     |   |
|---|---------------------------|-----|---|
| Type of auditor's report issued:  | <u>Unmodified Opinion</u> |     |   |
| Internal control over financial reporting:  |                           |     |   |
| Material weakness(es) identified?   | _____                     | yes | _____ <input checked="" type="checkbox"/> _____ no            |
| Significant deficiency(ies) identified<br>not considered to be material weaknesses? | _____                     | yes | _____ <input checked="" type="checkbox"/> _____ none reported |
| Noncompliance material to financial statements<br>noted?                            | _____                     | yes | _____ <input checked="" type="checkbox"/> _____ no            |

Federal Awards

|   |       |     |   |
|---|-------|-----|---|
| Internal Control over major programs:   |       |     |   |
| Material weakness(es) identified?   | _____ | yes | _____ <input checked="" type="checkbox"/> _____ no            |
| Significant deficiency(ies) identified<br>not considered to be material weaknesses? | _____ | yes | _____ <input checked="" type="checkbox"/> _____ none reported |

|  |                           |     |  |
|--|---------------------------|-----|--|
| Type of auditor's report issued on compliance<br>for major programs:   | <u>Unmodified Opinion</u> |     |  |
| Any audit findings disclosed that are required<br>to be reported in accordance with<br>the Uniform Guidance? | _____                     | yes | _____ <input checked="" type="checkbox"/> _____ no |

Identification of major programs:

|                       |   |
|-----------------------|---|
| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
| 10.553/10.555         | Child Nutrition Cluster                   |

|   |  |
|---|--|
| Dollar threshold used to distinguish between<br>Type A and Type B programs: | \$ 750,000   |
| Auditee qualified as low-risk auditee?                                      | _____ <input checked="" type="checkbox"/> _____ yes _____ no |

Delta County Joint School District No. 50J

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

Year ended June 30, 2018

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SECTION II - FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING  
STANDARDS

There were no findings required to be reported under Generally Accepted Government Auditing Standards.

SECTION III - FINDINGS AND QUESTIONED COSTS UNDER THE UNIFORM GUIDANCE

There were no findings or questioned costs for federal awards as defined in the Uniform Guidance.

Delta County Joint School District No. 50J

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2018

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There were no prior year findings or questioned costs noted that were reportable under the Uniform Guidance criteria.



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 0870 - DELTA COUNTY 50(J)  
 Fiscal Year 2017-18  
 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   | 11,275,022                               | 31,329,508                                 | 32,579,613                                | 10,024,917  |
| 18 Risk Mgmt Sub-Fund of General Fund                   | 0  | 0  | 0   | 0   |
| 19 Colorado Preschool Program Fund                      | 293,262                                  | 911,456                                    | 914,986                                   | 289,731   |
| <b>Sub- Total</b>                                       | <b>11,568,284</b>                        | <b>32,240,964</b>                          | <b>33,494,600</b>                         | <b>10,314,649</b>                                     |
| 11 Charter School Fund                                  | 421,529                                  | 3,293,043                                  | 3,186,983                                 | 527,590   |
| 20,26-29 Special Revenue Fund                           | 833,989                                  | 2,958,870                                  | 3,004,273                                 | 788,586   |
| 06 Supplemental Cap Const, Tech, Main Fund              | 0  | 0  | 0   | 0   |
| 21 Food Service Spec Revenue Fund                       | 430,170                                  | 1,792,866                                  | 1,684,924                                 | 538,112   |
| 22 Govt Designated-Purpose Grants Fund                  | 0  | 5,002,983                                  | 5,002,983                                 | 0   |
| 23 Pupil Activity Special Revenue Fund                  | 552,954                                  | 1,480,270                                  | 1,485,603                                 | 547,620   |
| 24 Full Day Kindergarten Mill Levy Override             | 0  | 0  | 0   | 0   |
| 25 Transportation Fund                                  | 0  | 0  | 0   | 0   |
| 31 Bond Redemption Fund                                 | 2,780,812                                | 1,955,110                                  | 1,848,869                                 | 2,807,053   |
| 39 Certificate of Participation (COP) Debt Service Fund | 0  | 0  | 0   | 0   |
| 41 Building Fund  | 0  | 4,724,952                                  | 873,071                                   | 3,851,881   |
| 42 Special Building Fund                                | 0  | 0  | 0   | 0   |
| 43 Capital Reserve Capital Projects Fund                | 592,594                                  | 2,043,098                                  | 2,124,815                                 | 510,878   |
| 46 Supplemental Cap Const, Tech, Main Fund              | 0  | 0  | 0   | 0   |
| <b>Totals</b>   | <b>17,180,331</b>                        | <b>55,492,156</b>                          | <b>52,706,119</b>                         | <b>19,966,368</b>                                     |
| <b>Proprietary</b>                                      |  |  |   |   |
| 50 Other Enterprise Funds                               | 0  | 0  | 0   | 0   |
| 64 (63) Risk-Related Activity Fund                      | 0  | 0  | 0   | 0   |
| 60,65-69 Other Internal Service Funds                   | 0  | 0  | 0   | 0   |
| <b>Totals</b>   | <b>0</b>                                 | <b>0</b>                                   | <b>0</b>                                  | <b>0</b>  |
| <b>Fiduciary</b>  |  |  |   |   |
| 70 Other Trust and Agency Funds                         | 0  | 0  | 0   | 0   |
| 72 Private Purpose Trust Fund                           | 15,805                                   | 3  | 11,087                                    | 4,721   |
| 73 Agency Fund  | 0  | 0  | 0   | 0   |
| 74 Pupil Activity Agency Fund                           | 24,082                                   | 5,048                                      | 5,426                                     | 23,704  |
| 79 GASB 34 Permanent Fund                               | 0  | 0  | 0   | 0   |
| 85 Foundations  | 0  | 0  | 0   | 0   |
| <b>Totals</b>   | <b>39,888</b>                            | <b>5,050</b>                               | <b>16,513</b>                             | <b>28,424</b>   |

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.**