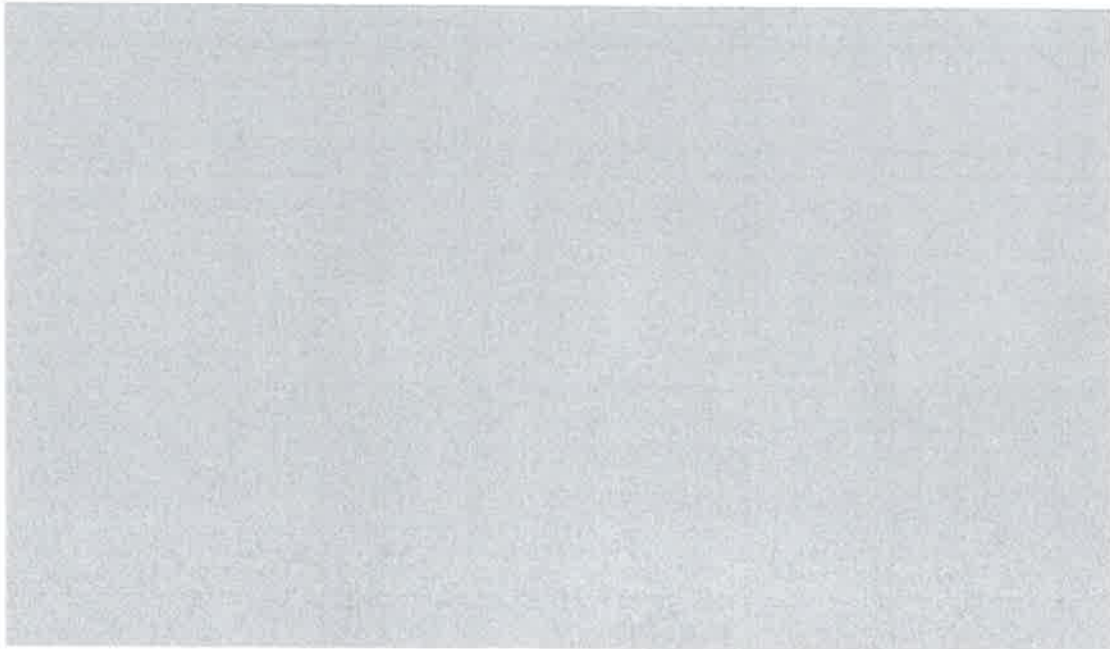


**SARGENT SCHOOL DISTRICT RE-33J
MONTE VISTA, COLORADO**

**FINANCIAL STATEMENTS
June 30, 2018**



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

SARGENT SCHOOL DISTRICT RE-33J
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June 30, 2018

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Wall,
Smith,
Bateman Inc.

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Sargent School District RE-33J
Monte Vista, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sargent School District RE-33J (the District), 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 – Summary of Significant Accounting Policies, in fiscal year 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension, and other postemployment benefits information on pages 3-14 and 48-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial schedules and the Colorado School District Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial schedules and the Colorado School District Auditor's Integrity Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the Colorado School District Auditor's Integrity Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 06, 2018

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

As management of the Sargent School District, we offer readers of the Sargent School District's financial statements this narrative overview and analysis of the financial activities of the Sargent School District for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this section.

Financial Highlights 2018

- The District's financial status declined over the course of the 2018 fiscal year. Total net position decreased \$2,305,256.
- General revenues, primarily property taxes and state equalization payments, account for approximately \$4,149,230 or 88% percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$566,179 or 12% percent of total revenues of \$4,715,409.
- The District had \$7,020,665 in expenses related to governmental activities; General revenues of \$4,149,230 were inadequate to provide for these programs by \$2,871,435.
- Outlays for capital assets were primarily comprised of purchase of technology.
- The District decreased its outstanding long-term debt by approximately \$225,000.

Financial Highlights 2017

- The District's financial status declined over the course of the 2017 fiscal year. Total net position decreased \$2,175,848.
- General revenues, primarily property taxes and state equalization payments, account for approximately \$4,046,406 or 90% percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$423,266 or 10% percent of total revenues of \$4,469,672.
- The District had \$6,645,520 in expenses related to governmental activities; General revenues of \$4,046,406 were inadequate to provide for these programs by \$2,599,114.
- Outlays for capital assets were primarily comprised of purchase of technology.
- The District decreased its outstanding long-term debt by approximately \$215,000.

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental fund statements tell how basic services such as instruction were financed in the short term as well as what remains for future spending.
- Fiduciary fund statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

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

District-wide Financial Statements

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

The statement of net position presents information on all of the Sargent School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Sargent School District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. Included in governmental activities are most of the District's basic services such as regular and special education,

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

transportation, and administration. The District doesn't have any services accounted for as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to track specific sources of funding and spending on particular programs. The Sargent School District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are divided into two categories: governmental funds and fiduciary funds.

Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, additional information on the reconciliations explain the relationship (or differences) between them.

Sargent School District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in the fund balances for the (1) general fund (2) the pupil activity fund (3) bond redemption fund (4) the federal programs fund (5) food service fund, and (6) capital reserve capital projects fund.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government, such as scholarship funds and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Supplementary information includes budget-to-actual information for all proprietary and governmental funds that are not major special revenue funds as dictated by state law.

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

District-wide Financial Analysis

Table 1 provides a summary of the District's net position at June 30, 2017 and 2018.

**Table 1
Statement of Net Position**

	Governmental Activities 2017	Governmental Activities 2018
Assets		
Current Assets	\$ 2,260,061	\$ 2,521,504
Capital Assets	\$21,231,155	\$20,873,462
Total Assets	<u>\$23,491,216</u>	<u>\$23,394,966</u>
Deferred Outflows of Resources	<u>\$5,370,099</u>	<u>\$ 4,247,449</u>
Liabilities		
Current Liabilities	\$ 317,858	\$ 356,977
Long-term Liabilities:		
Due within one year	\$ 225,000	\$ 235,000
Due more than one year	\$17,499,730	\$18,333,826
Total Liabilities	<u>\$18,042,588</u>	<u>\$18,925,803</u>
Deferred Inflows of Resources	\$ 438,533	\$ 967,383
Net Position		
Invested in Capital Assets	\$17,481,155	\$17,348,462
Restricted for:		
TABOR	\$ 112,000	\$ 112,000
BEST	\$ 233,280	\$ 269,430
Debt Service	\$ 394,041	\$ 417,102
Capital Projects		
Unrestricted	(\$7,840,282)	(\$10,397,765)
Total Net Position	<u>\$10,380,194</u>	<u>\$7,749,229</u>

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Table 2 provides a summary of the changes in net position. Following Table 2 is a specific discussion related to overall revenues and expenses.

**Statement of Activities
For 2017 and 2018**

	FY 2017	FY 2018
Governmental Activities		
REVENUES		
Program Revs:		
Charges for Services	\$89,688	\$91,722
Operating Grants & Cont.	\$333,578	\$474,457
General Revs:		
Property Taxes	\$1,450,042	\$1,589,092
State Equalization	\$2,358,579	\$2,321,811
Other Revenues	\$237,785	\$238,327
Total Revenues	\$4,469,672	\$4,715,409
Expenses:		
Instructional Program	\$3,625,099	\$3,640,712
Student Support	\$286,361	\$333,291
Instructional Staff Support Services	\$304,979	\$318,121
General Admin Support	\$418,445	\$464,635
School Admin Support	\$366,324	\$402,394
Business Support Services	\$174,878	\$189,284
O & M Plans Svs.	\$724,349	\$757,286
Student Transportation	\$292,691	\$257,631
Central Support Services	\$47,444	\$91,816
Facilities Acquisition	\$55,773	\$130,877
Interest- Long Term Debt	\$160,131	\$150,578
Food Services	\$189,046	\$284,040
Total Expenses	\$6,645,520	\$7,020,665
Net Position Beginning	\$12,566,042	\$10,380,194
GASB 75 Restatement	-	(\$325,709)
Net Position, Beginning of Year Restated	\$12,566,042	\$10,054,485
Change in Net Position	(\$2,175,848)	(\$2,305,256)
Ending Net Position	\$10,380,194	\$7,749,229

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Property taxes and per pupil state formula revenue (state equalization) account for most of the District's revenue, contributing about 88%. State and Federal grants and private partnership grants contribute the remaining 12% of revenue.

The District expenses predominantly relate to instruction and support services, which includes support for students and instructional staff, administration, operations and maintenance, and transportation. Given that Sargent School District is a service organization providing education services to students, the majority of expenses are paid in the form of compensation (salaries and benefits) to the District's employees.

Detailed on the next pages in Tables 3a & 3b and 4a & 4b are charts displaying District source of funds and the use of funds for the total school district.

Table 3a District Source of Funds 2017

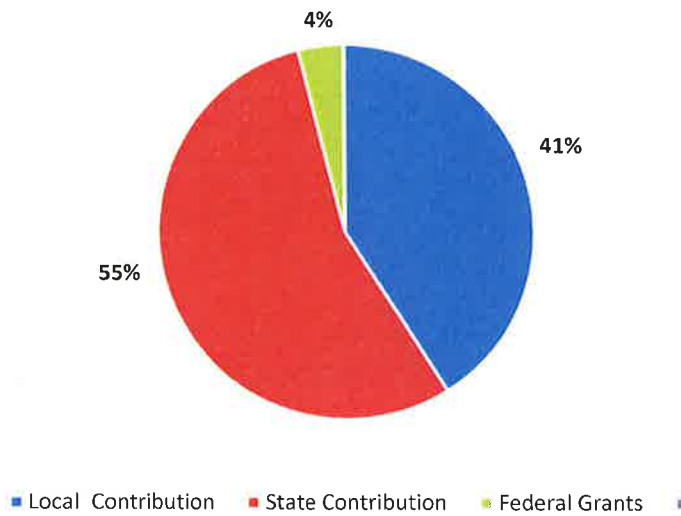
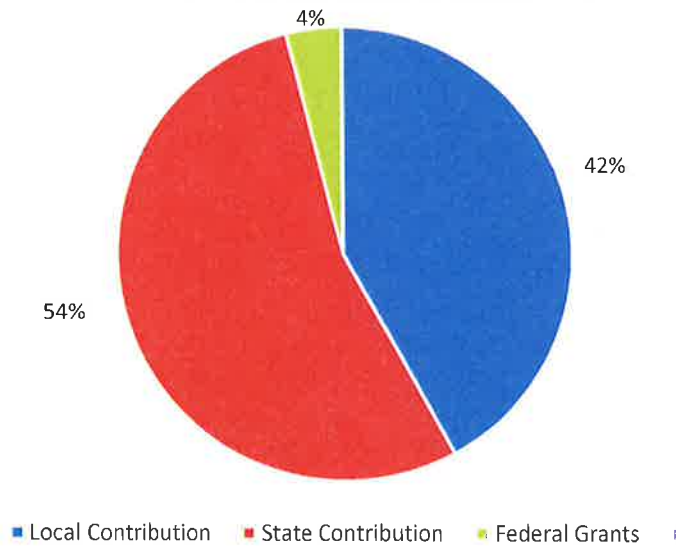
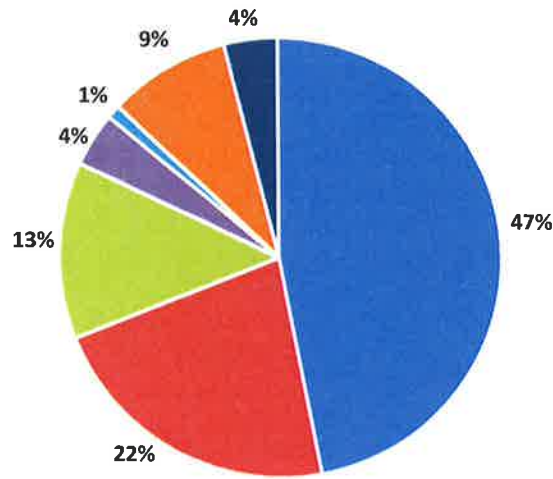


Table 3b District Source of Funds 2018



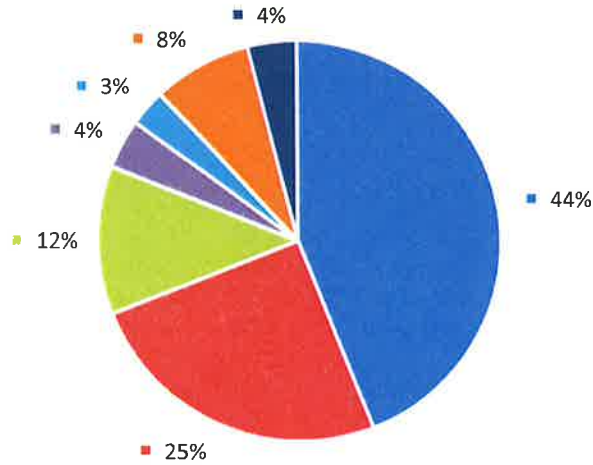
**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Table 4a District Use of Funds 2017



- Instructional Program ■ Support Services ■ Operations & Maint. ■ Student Transportation
- Facilities Acquisition ■ Debt Services ■ Food Services

Table 4b District Use of Funds 2018



- Instructional Program ■ Support Services ■ Operations & Maint.
- Student Transportation ■ Facilities Acquisition ■ Debt Services
- Food Services ■ ■

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the district received \$9,806.57 per funded student. Starting in 2010, the legislature added a budget stabilization factor to the School Finance Formula. With this factor the district's adjusted per pupil funding was \$8,723.82 for FY 2018. The averaged funded pupil count was 392.9, with an October count of 362.5. Program funding comes from property taxes, specific ownership taxes and state equalization. The district received approximately 50% of funding from state equalization while the remaining amounts came from local taxes. State law allows school districts to obtain an additional 35% of funding from local property taxes. This is accomplished by successfully passing a mill levy override ballot question.

In November 2000 the Sargent School District electorate passed with 69% of the vote a mill levy override for general fund taxes to be increased by \$75,000 annually beginning with the 2000/01 fiscal year and for each fiscal year thereafter to provide funds to purchase a bus and/or other capital needs.

In November 2008 the Sargent School District electorate passed a mill levy override to increase debt \$5,000,000. This money was used to provide the District's matching funds for the BEST grant used to fund the construction of the new school in 2010.

The statement of activities provides the cost of program services and the related charges for services and grants offsetting those costs. Table 5 reflects each program's net cost (total cost less fees generated by the programs and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these programs.

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

**Table 5a
2017 Net Cost of Governmental Activities (in dollars)**

Program:	Total Cost of Services:	Net Cost of Services:
Instructional Program	\$3,625,099	\$ (3,411,422)
Student Support Services	\$ 286,361	\$ (268,718)
Instructional Staff Support Services	\$ 304,979	\$ (304,979)
General Admin. Support Services	\$ 418,445	\$ (418,445)
School Admin. Support Services	\$ 366,324	\$ (366,324)
Business Support Services	\$ 174,878	\$ (174,878)
Operations & Maint. of Plant Svs.	\$ 724,349	\$ (724,349)
Student Transportation Services	\$ 292,691	\$ (262,332)
Central Supporting Services	\$ 47,444	\$ (47,444)
Food Service	\$ 189,046	\$ (27,459)
Facilities Acquisition & Const.	\$ 55,773	\$ (55,773)
Interest on Long-term Debt	\$ 160,131	\$ (160,131)
Total	\$6,645,520	\$ (6,222,254)

**Table 5b
2018 Net Cost of Governmental Activities (in dollars)**

Program:	Total Cost of Services:	Net Cost of Services:
Instructional Program	\$3,640,712	\$(3,276,155)
Student Support Services	\$ 333,291	\$ (321,537)
Instructional Staff Support Services	\$ 318,121	\$ (318,121)
General Admin. Support Services	\$ 464,635	\$ (464,635)
School Admin. Support Services	\$ 402,394	\$ (402,394)
Business Support Services	\$ 189,284	\$ (189,284)
Operations & Maint. of Plant Svs.	\$ 757,286	\$ (757,286)
Student Transportation Services	\$ 257,631	\$ (225,759)
Central Supporting Services	\$ 91,816	\$ (91,816)
Facilities Acquisition & Const.	\$ 130,877	\$ (130,877)
Interest on Long-term Debt	\$ 150,578	\$ (150,578)
Food Service	\$ 284,040	\$ (126,044)
Total	\$7,020,665	\$(6,454,486)

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

- The cost of all governmental activities this year was \$7,020,665
- Most of the District's costs (\$7,020,665) were financed by District and State taxpayers
- This portion of governmental activities was financed with \$1,589,092 in property taxes, \$2,321,811 in state aid (equalization) based on the statewide formula for per pupil funding, and \$566,179 in investment earnings and other miscellaneous revenues not pertaining specifically to a program.

Financial Analysis of the District's Funds

Information about the District's funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$4,715,409 and expenditures of \$4,493,085. The net change in total fund balance for the year was an increase of \$222,324.

General Fund Budgetary Highlights

The District approves a budget in June based on enrollment projections for the following school year. In January 2018 the District revised the annual operating budget approved by the District's Board of Education in June 2017.

General Fund total expenditures were \$64,646 less than budgeted.

The primary reason for the revised budget was to reflect the October student count. Actual revenue of \$3,972,965 exceeded the budgetary amount by \$90,683. Total expenditures were \$3,571,516. Transfer to other funds in the amount of \$209,350 results in a net increase of \$192,099. The fund balance at the beginning of the year was \$1,484,261 and the fund balance at the end of the year was \$1,676,360.

Capital Assets

By the end of the fiscal year 2018, the District had invested \$20,873,462 in a broad range of capital assets, including land, buildings, site improvements, vehicles and other equipment. (See Table 6 on next page).

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

**Table 6
Capital Assets (net of depreciation)**

	Governmental Activities 2017	Governmental Activities 2018
Land & Improvements	\$ 128,621	\$ 128,621
Buildings	\$24,747,257	\$24,747,257
Land Improvements	\$ 105,750	\$ 105,750
Machinery & Equipment	\$ 805,188	\$ 825,556
Vehicles	\$ 555,906	\$ 616,555
Less Accum. Depreciation	\$(5,111,567)	\$(5,550,277)
Totals	\$21,231,155	\$20,873,462

**Table 7b
Long-term liability balances for the year ended June 30, 2018 were as follows:**

	Beginning Balance 6/30/17	Additions	Deletions	Ending Balance 6/30/18	Due Within One Year
G.O. Bonds Payable	\$3,750,000	-	\$225,000	\$3,525,000	\$235,000
Compensated Absences	\$ 10,254	-		\$ 10,254	\$ -
Total	\$3,760,254	-	\$225,000	\$3,535,254	\$235,000

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018**

Factors Bearing on the District's Future

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

- Information from the 2018-2019 student enrollment "October count" shows that Sargent School District has 29.5 fewer students than last year, resulting in a decrease in revenue from the funded pupil count.
- Based on historical trends, our projections for student enrollment for fall 2019 will show District enrollment is declining.
- The United States and the State of Colorado have experienced unprecedented economic decline. One impact of this budget crisis is the reduction in the State of Colorado's general fund revenues, which are expected to continue to decline. Because educational expenditures represent a significant portion of the State of Colorado's total expenditures, the District anticipates its revenues will be adversely impacted. If the District revenues are reduced, the District will be required to reduce its future expenditures.
- The Sargent School District has a long history for academic excellence and small class sizes. Approximately 70% of the students that attend Sargent Schools are not resident students. The District must maintain its tradition of excellence to keep enrollment at its current level. The state revenue that follows these non-resident students is very important to the financial success of the District.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent of Schools, Sargent School District, 7090 N. Road 2 E., Monte Vista, CO 81144.

SARGENT SCHOOL DISTRICT RE-33J
BASIC FINANCIAL STATEMENTS

SARGENT SCHOOL DISTRICT RE-33J

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 2,410,072
Accounts Receivable	47,935
Due from Other Governments	56,295
Inventory	7,202
Capital Assets	
Land	128,621
Buildings and Improvements	24,747,257
Land Improvements	105,750
Equipment	825,556
Vehicles	616,555
Less: Accumulated Depreciation	(5,550,277)
TOTAL ASSETS	23,394,966
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	4,234,589
OPEB	12,860
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,247,449
LIABILITIES	
Current Liabilities	
Accounts Payable	22,011
Accrued Salaries and Benefits	325,216
Unearned Grant Revenue	9,750
General Obligation Bonds - Due within one year	235,000
Long-term Liabilities	
General Obligation Bonds	3,290,000
Compensated Absences	10,254
Pension Liability	14,697,933
OPEB Liability	335,639
TOTAL LIABILITIES	18,925,803
DEFERRED INFLOWS OF RESOURCES	
Pensions	960,373
OPEB	7,010
TOTAL DEFERRED INFLOWS OF RESOURCES	967,383
NET POSITION	
Net Investment in Capital Assets	17,348,462
Restricted for:	
TABOR	112,000
BEST Reserve	269,430
Debt Service	417,102
Unrestricted	(10,397,765)
TOTAL NET POSITION	\$ 7,749,229

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

SARGENT SCHOOL DISTRICT RE-33J
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants & Contributions		Capital Grants & Contributions
Primary Government:					
Governmental Activities:					
Instructional Program	\$ 3,640,712	\$ -	\$ 364,557	\$ -	\$(3,276,155)
Student Supporting Services	333,291	-	11,754	-	(321,537)
Instructional Staff Supporting Services	318,121	-	-	-	(318,121)
General Administration Supporting Services	464,635	-	-	-	(464,635)
School Administration Supporting Services	402,394	-	-	-	(402,394)
Business Supporting Services	189,284	-	-	-	(189,284)
Operations and Maintenance of Plant Services	757,286	-	-	-	(757,286)
Student Transportation Services	257,631	6,358	25,514	-	(225,759)
Central Supporting Services	91,816	-	-	-	(91,816)
Food Services	284,040	85,364	72,632	-	(126,044)
Facilities Acquisition and Construction	130,877	-	-	-	(130,877)
Interest on Long-term Debt	150,578	-	-	-	(150,578)
Total Governmental Activities	7,020,665	91,722	474,457	-	(6,454,486)
Total Primary Government	\$ 7,020,665	\$ 91,722	\$ 474,457	\$ -	(6,454,486)

General Revenues

Taxes:	
General Property Taxes	1,589,092
Specific Ownership Taxes	198,754
Other Taxes	2,321
State Equalization	2,321,811
Interest Income	5,727
Miscellaneous	31,525
Total General Revenues	4,149,230
Change in Net Position	(2,305,256)
Net Position, Beginning of Year	10,380,194
GASB 75 Restatement	(325,709)
Net Position, Beginning of Year Restated	10,054,485
Net Position, End of Year	\$ 7,749,229

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

SARGENT SCHOOL DISTRICT RE-33J
GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2018

	GENERAL FUND	BOND REDEMPTION FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 1,914,863	\$ 404,216	\$ 90,993	\$ 2,410,072
Accounts Receivable	40,469	7,466	-	47,935
Due From Other Governments	22,515	5,420	28,360	56,295
Due From Other Funds	1,250	-	-	1,250
Inventory	-	-	7,202	7,202
TOTAL ASSETS	\$ 1,979,097	\$ 417,102	\$ 126,555	\$ 2,522,754
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 5,783	\$ -	\$ 16,228	\$ 22,011
Due to Other Funds	-	-	1,250	1,250
Accrued Salaries and Benefits	296,954	-	28,262	325,216
Unearned Grant Revenue	-	-	9,750	9,750
TOTAL LIABILITIES	\$ 302,737	\$ -	\$ 55,490	\$ 358,227
FUND BALANCE				
Nonspendable:				
Inventory	-	-	7,202	7,202
Restricted:				
TABOR	112,000	-	-	112,000
BEST Capital Renewal Reserve	269,430	-	-	269,430
Debt Service	-	417,102	-	417,102
Committed:				
Facilities	40,197	-	-	40,197
Pupil Activities	-	-	16,756	16,756
Food Service	-	-	44,846	44,846
Capital Projects	-	-	2,261	2,261
Assigned:				
Residential	13,488	-	-	13,488
Curriculum	111,026	-	-	111,026
Designated for Subsequent Years	971,787	-	-	971,787
Unassigned	158,432	-	-	158,432
TOTAL FUND BALANCE	\$ 1,676,360	\$ 417,102	\$ 71,065	\$ 2,164,527
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,979,097	\$ 417,102	\$ 126,555	\$ 2,522,754

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

SARGENT SCHOOL DISTRICT RE-33J
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total governmental fund balances		\$ 2,164,527
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.		20,873,462
Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds, but must be deferred in the statement of net position.		4,247,449
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.		
General Obligation Bonds	\$ (3,525,000)	
Compensated Absences	(10,254)	
		(3,535,254)
Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds.		(15,033,572)
Certain amounts related to the net pension and OPEB liabilities are deferred and amortized over time. These are not reported in the funds.		(967,383)
Net position of governmental activities		\$ 7,749,229

SARGENT SCHOOL DISTRICT RE-33J
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2018

	GENERAL FUND	BOND REDEMPTION FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Federal Sources	29,715	\$ -	\$ 173,614	\$ 203,329
State Sources	2,509,992	-	19,633	2,529,625
Local Sources	1,433,258	398,639	150,558	1,982,455
TOTAL REVENUES	3,972,965	398,639	343,805	4,715,409
EXPENDITURES				
Instructional Program	1,833,995	-	162,131	1,996,126
Student Supporting Services	173,205	-	23,762	196,967
Instructional Staff Supporting Services	180,986	-	2,000	182,986
General Administration Supporting Services	258,054	-	-	258,054
School Administration Supporting Services	220,104	-	-	220,104
Business Supporting Services	139,236	-	-	139,236
Operations and Maintenance of Plant Services	553,987	-	-	553,987
Student Transportation Services	174,732	-	-	174,732
Central Supporting Services	37,217	-	40,323	77,540
Food Services	-	-	186,898	186,898
Facilities Acquisition and Construction	-	-	130,877	130,877
Debt Service	-	375,578	-	375,578
TOTAL EXPENDITURES	3,571,516	375,578	545,991	4,493,085
Excess (deficiency) of revenues over expenditures	401,449	23,061	(202,186)	222,324
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	209,350	209,350
Transfers to Other Funds	(209,350)	-	-	(209,350)
TOTAL OTHER FINANCING SOURCES (USES)	(209,350)	-	209,350	-
Net Change in Fund Balance	192,099	23,061	7,164	222,324
Fund Balance, Beginning of Year	1,484,261	394,041	63,901	1,942,203
Fund Balance, End of Year	\$ 1,676,360	\$ 417,102	\$ 71,065	\$ 2,164,527

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

SARGENT SCHOOL DISTRICT RE-33J
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 222,324

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the activity in the capital assets in the current period.

Fixed asset additions	\$	121,821	
Depreciation expense		<u>(479,514)</u>	(357,693)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payment on general obligation bonds			225,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds.

Compensated Absences			-
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Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension and OPEB expense.

		<u>(2,394,887)</u>	
Change in net position of governmental activities	\$	<u><u>(2,305,256)</u></u>	

SARGENT SCHOOL DISTRICT RE-33J
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
For the Year Ended June 30, 2018

	<u>STUDENT ACTIVITY AGENCY FUND</u>
ASSETS	
Cash	\$ 89,474
TOTAL ASSETS	<u>\$ 89,474</u>
LIABILITIES	
Pupil Activities Deposits	\$ 89,474
TOTAL LIABILITIES	<u>\$ 89,474</u>

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

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Primary Government

Sargent School District RE-33J is a public school as established by Colorado State Statute. The District is declared to be a corporate body with perpetual existence and in its name may hold property, sue and be sued, and be a party to contracts for any purpose authorized by law. Members of the school board are voted on at large by the registered, qualified electors of the District. Taxes are levied upon all taxable property within the District's boundaries by the County Commissioners. The County Treasurer collects the taxes and remits them to the District. The District also receives State and Federal funds. The Board of Education has the authority to issue bonds up to 20% of the latest assessed valuation of the taxable property in the District. The board also has authority to select the depository of school funds and acquire short-term loans.

Component Units

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

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

Based on the aforementioned criteria, the Sargent School District RE-33J has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. Government-wide statements report information on all of the activities of the District, except for District fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

The Statement of Activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include:

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- The **General Fund** – is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Bond Redemption Fund** – is used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on the long-term general obligation debt or long-term voter-approved lease-purchase debt.

Fiduciary fund financial statements consist of the Agency Fund established to record transactions relating to assets held by the District as an agent for student organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between governmental activities and business-type activities, which are presented as internal balances and eliminated in the total primary government column.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash in bank and liquid investments with maturity of three months or less.

Property Taxes

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

Uncollected property taxes that became an enforceable lien January 1, 2018 have been recorded in the financial statements as an asset and corresponding unavailable revenue.

Receivables/Payables From Other District Funds

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

Inventories

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

USDA Commodities

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

Capital Assets

Capital Assets, which include land, land improvements, buildings and improvements, equipment, vehicles, and construction in progress, are reported in the applicable governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-120
Land Improvements	10
Equipment	5-20
Vehicles	10-12

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. In the fund financial statements, debt proceeds are reported as other financing sources and debt payments are reported as debt service expenditures.

Compensated Absences

Full-time employees of the District receive 8 days per year leave which can be accumulated to 35 days for nine month employees 12 days per year leave which can be accumulated to 47 days for twelve month employees. Twelve month employees receive vacation time as per policy. Employees that retire and are 50 years of age or older receive one-half of the substitute rate (\$45) for any days accumulated at the date of retirement. A liability is accrued in the government-wide financial statements.

Unearned Grant Revenue

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applied to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period.

In addition to liabilities, the balance sheet reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that is applied to future periods and will not be recognized as an inflow of resources (revenue) until that period.

Certain amounts related to pensions must be deferred.

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*.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Other Postemployment Benefits

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 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.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported by classification based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

- *Nonspendable Fund Balance* – amounts that cannot be spent because they are not in spendable form – such as inventory and prepaid expenditures.
- *Restricted Fund Balance* – amounts restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – amounts that can only be used for specific purposes as a result of constraints imposed through adopted resolution by the Board of Education, the highest level of decision making authority. Committed amounts cannot be used for any other purposes unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned Fund Balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment action.

Encumbrances

The District does not record purchase orders in the accounting system upon approval of administration. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Use of Estimates

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

New Accounting Pronouncements

During 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB No. 75), which revises and establishes new financial reporting requirements for most governments that provide their employees with postemployment benefits other than pensions. These benefits are referred to as other postemployment benefits (OPEB).

GASB No. 75 requires cost-sharing employers participating in the PERA program, such as the District to record their proportionate share, as defined in GASB No. 75, of PERA's unfunded OPEB, specifically the Health Care Trust Fund (HCTF). 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. The District has no legal obligation to fund this HCTF shortfall nor does it have any ability to affect funding, benefit or annual required contribution decisions made by PERA or the General Assembly. The requirement of GASB No. 75 to record a portion of PERA's unfunded liability negatively impacted the District's beginning net position by \$325,709. The OPEB liability recorded as of June 30, 2018 was \$335,639. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

Reclassifications

Certain reclassifications were made to fiscal year 2017 financial statements in order to conform to the fiscal year 2018 financial statements presentation.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Sargent School District RE-33J follows the procedures set forth in the Colorado School District Budget Law when preparing annual budgets for each fund. Budget procedures include:

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

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. All budget amounts presented reflect the original budget and the final amended budget.

Stewardship

Total expenditures exceeded budgeted appropriations in the Capital Reserve Capital Projects Fund by \$12,867 during fiscal year 2018. This may be a violation of Colorado Revised Statutes 22-44-115(1).

NOTE 3 CASH AND DEPOSITS

A summary of cash and deposits for the District are as follows:

Cash in Banks and on Hand	\$ 2,499,546
Less: amounts related to Agency Fund	<u>(89,474)</u>
Total cash and deposits on the Statement of Net Position	<u><u>\$ 2,410,072</u></u>

Cash and Deposits

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

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, \$2,389,362 of the District's total bank balance of \$2,639,362 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

As of June 30, 2018, the District had \$56,295 due from Federal, State, and Local governments, reflected as, intergovernmental receivables in the accompanying basic financial statements.

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables/Payables

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

Interfund receivable and payable balances at June 30, 2018, were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Food Service Fund	\$ 1,250
		\$ 1,250

Interfund Transfers

Interfund transfers for the year ended June 30, 2018, were as follows:

Transfer In	Transfer Out	Amount
Capital Reserve Capital Projects Fund	General Fund	\$ 118,000
Food Service Fund	General Fund	47,350
Pupil Activity Fund	General Fund	44,000
		\$ 209,350

These transfers were made from the General Fund to subsidize the Capital Reserve Capital Projects Fund, the Food Service Fund, and the Pupil Activity Fund.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 CAPITAL ASSETS

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

	Balance 06/30/2017	Additions	Deletions	Balance 06/30/2018
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 128,621	\$ -	\$ -	\$ 128,621
Total capital assets not being depreciated	<u>128,621</u>	<u>-</u>	<u>-</u>	<u>128,621</u>
Capital assets being depreciated				
Buildings and Improvements	24,747,257	-	-	24,747,257
Land Improvements	105,750	-	-	105,750
Equipment	805,188	61,172	40,804	825,556
Vehicles	555,906	60,649	-	616,555
Total capital assets being depreciated	<u>26,214,101</u>	<u>121,821</u>	<u>40,804</u>	<u>26,295,118</u>
Less accumulated depreciation for:				
Buildings and Improvements	4,032,644	375,119	-	4,407,763
Land Improvements	63,450	67,083	40,804	89,729
Equipment	536,228	10,575	-	546,803
Vehicles	479,245	26,737	-	505,982
Total accumulated depreciation	<u>5,111,567</u>	<u>479,514</u>	<u>40,804</u>	<u>5,550,277</u>
Total Capital Assets being depreciated, net	<u>21,102,534</u>	<u>(357,693)</u>	<u>-</u>	<u>20,744,841</u>
Governmental Activities, net	<u>\$ 21,231,155</u>	<u>\$ (357,693)</u>	<u>\$ -</u>	<u>\$ 20,873,462</u>

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

<i>Governmental activities:</i>	
Instructional Program	\$ 372,420
General Administration Supporting Services	52,063
Business Supporting Services	1,659
Operations and Maintenance	10,575
Student Transportation Services	33,002
Food Services	9,795
Total depreciation expense – governmental activities	<u>\$ 479,514</u>

SARGENT SCHOOL DISTRICT RE-33J
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NOTE 7 ACCRUED SALARIES AND BENEFITS

The teachers, administrators, and the administrative staff are employed under nine and twelve month contracts. All District employees are paid on a twelve-month basis; therefore, a difference exists between the actual amount of salaries earned under the contract and the amount paid. The difference between salaries earned and paid, including the District's share of benefits, has been accrued in the financial statements in the amount of \$325,216.

NOTE 8 OPERATING LEASES

The District has entered an operating lease for several copy machines. This lease is considered for accounting purposes as an operating lease. Lease expenses for the year totaled \$17,142.

NOTE 9 LONG-TERM LIABILITIES

Changes in Long-Term Debt

Long-term liability balances for the year ended June 30, 2018, were as follows:

	Beginning Balance 06/30/2017	Additions	Deletions	Ending Balance 06/30/2018	Due Within One Year
<i>Governmental Activities</i>					
G.O. Bonds Payable	\$ 3,750,000	\$ -	\$ 225,000	\$ 3,525,000	\$ 235,000
Compensated Absences	10,254	-	-	10,254	-
Total	\$ 3,760,254	\$ -	\$ 225,000	\$ 3,535,254	\$ 235,000

General Obligation Bonds Payable

In November 2008, the District voters approved a ballot measure to issue \$5,000,000 in bonds for the purpose of financing the construction and equipping the facilities and improvements. In 2009, the proceeds of the bond were paid to the State of Colorado who handled the financial transactions related to the building of the District's new school building. The interest rate is 4.135%. The bond is payable from the Bond Redemption Fund in annual installments and matures on December 1, 2029.

The annual debt service for the General Obligation Bond payable is as follows:

	Principal	Interest	Totals
FY 2019	\$ 235,000	\$ 140,907	\$ 375,907
FY 2020	240,000	131,086	371,086
FY 2021	250,000	120,955	370,955
FY 2022	265,000	110,307	375,307
FY 2023	275,000	99,142	374,142
FY 2024 - FY 2028	1,545,000	312,725	1,857,725
FY 2029 - FY 2030	715,000	22,330	737,330
	\$ 3,525,000	\$ 937,452	\$ 4,462,452

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NOTE 10 RESTRICTED NET POSITION

The BEST grant agreement requires the District to increase annually a BEST Capital Renewal Reserve which is set aside for the specific purpose of replacing major public school facility systems with projected life cycles similar as to those of roofs, interior finishes, electrical systems and heating, ventilating, and air conditioning systems. The balance at June 30, 2018 is \$273,280.

NOTE 11 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.

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.

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.

SARGENT SCHOOL DISTRICT RE-33J
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Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions 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 Year Ended December 31,	
	2018	2017
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	-1.02%	-1.02%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.50%	5.00%
Total Employer Contribution Rate to the SCHDTF	<u>19.13%</u>	<u>18.63%</u>

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$404,645, for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$14,697,933 for its proportionate share of the net pension liability. The net pension liability 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's proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was 0.045 percent, which was a decrease of 0.001 from its proportion measured as of December 31, 2016.

SARGENT SCHOOL DISTRICT RE-33J
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For the year ended June 30, 2018 the District recognized pension expense of \$2,390,807. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 270,233	\$ -
Net difference between projected and actual earnings on pension plan investments	-	577,201
Changes of assumptions or other inputs	3,752,929	23,815
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	359,357
Contributions subsequent to the measurement date	211,427	-
Total	\$ 4,234,589	\$ 960,373

\$211,427 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2019	\$ 2,105,294
2020	1,195,370
2021	(20,733)
2022	(217,145)
2023	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following 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	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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.

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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 females 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 changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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 by the investment consultant 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.

SARGENT SCHOOL DISTRICT RE-33J
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As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
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%
Total	<u>100.00%</u>	

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%.

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.

SARGENT SCHOOL DISTRICT RE-33J
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- 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.

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 Board of Governors of the Federal Reserve System, 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's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 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 (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 18,565,989	\$ 14,697,933	\$ 11,545,909

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.

SARGENT SCHOOL DISTRICT RE-33J
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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.

- 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 reported a liability of \$14,697,933 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 Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 6,640,399

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 \$6,861,087 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

SARGENT SCHOOL DISTRICT RE-33J
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NOTE 12 OTHER POSTEMPLOYMENT BENEFITS

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.

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.

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 are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

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.

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 on behalf of benefit recipients not covered by Medicare Part A.

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.

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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 \$21,852 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$335,639 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's 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 was .0258 percent, which was a decrease of .0001 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized OPEB expense of \$4,080. At June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,587	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	5,615
Changes of assumptions or other inputs	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	1,395
Contributions subsequent to the measurement date	11,273	-
Total	\$ 12,860	\$ 7,010

\$11,273 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:

Year Ended June 30,	
2019	(1,366)
2020	(1,366)
2021	(1,366)
2022	(1,366)
2023	38
Thereafter	3

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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, gradually rising to 4.25 percent in 2023

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.

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%

SARGENT SCHOOL DISTRICT RE-33J
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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.

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.
- 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.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

- 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Sensitivity of the District's 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:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
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	\$326,404	\$335,639	\$346,761

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:

- 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.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Sensitivity of the District's 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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 377,363	\$ 335,639	\$ 300,025

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.

NOTE 13 DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

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

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2018 program members contributed \$20,649 for the Voluntary Investment Program.

NOTE 14 JOINT VENTURES AND RELATED PARTIES

The District participates in the following entities. These joint ventures and related parties do not meet the criteria for inclusion within the reporting entity because the following entities:

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

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

San Luis Valley Board of Cooperative Educational Services (BOCES)

The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The Board of BOCES is selected from the elected members of the District Boards. The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is approximately 7% at June 30, 2018. Complete separate financial statements may be obtained from BOCES.

Colorado School Districts' Self-Insurance Pool

The District belongs to the Colorado School Districts' Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, and other coverage. The Board of Directors is composed of eight persons, several of who are appointed by the Board of Directors of CASB and the Executive Director of CASB. The Pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the aggregate Pool claims, the cost of administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility, nor has sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool are recorded as expenditures in the General Fund. The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2018. Complete separate financial statements may be obtained from the Colorado School Districts' Self-Insurance Pool.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Grant Programs

The District participates in federal grant programs subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Litigation

The District is a party to various legal actions normally associated with governmental activities, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to its financial statements.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 16 TABOR EMERGENCY RESERVE

Colorado voters passed an amendment to the State constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

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

On November 3, 1998 voters approved a ballot which stated that the District is authorized to collect, retain, and expend all revenues including grants and other funds collected during 1998 and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado constitution, provided, however, that no property tax mill levy be increased at any time nor shall any new tax be imposed without the prior approval of the voters.

The amendment also requires that Emergency Reserves be established. These reserves must be at least three percent of fiscal year spending. This Emergency Reserve has been presented as a restricted fund balance in the General Fund balance sheet and a restricted net position in the government-wide statement of net position. The entity is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 17 RISK MANAGEMENT

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

NOTE 18 PUPIL ACTIVITY AGENCY FUND BUDGET AND ACTUAL

The District is required by the Colorado School District Budget Law to budget for the District's Pupil Activity Agency Fund. In accordance with GAAP, however, there is not a statement of revenues, expenses, and changes in net position for agency funds to report the budget information, because agency funds do not recognize revenues, expenses, or net position in accordance with GAAP. Therefore, the budget and actual amounts for agency funds received and disbursed for the year ended June 30, 2018, are presented below:

	Original Budget	Final Budget	Actual	Variance
Beginning Balance	\$ -	\$ -	\$ 63,735	\$ 63,735
Agency Fund Receipts	250,000	250,000	160,534	(89,466)
Agency Fund Disbursements	<u>(250,000)</u>	<u>(250,000)</u>	<u>(134,795)</u>	<u>115,205</u>
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,474</u>	<u>\$ 89,474</u>

SARGENT SCHOOL DISTRICT RE-33J

REQUIRED SUPPLEMENTARY INFORMATION

A budgetary comparison schedule is required for the General Fund and, if applicable, each of the District's major special revenue funds. In addition, pension and OPEB plan contributions and the District's proportionate share of the net pension and OPEB liability is required to supplement the basic financial statements.

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Federal Sources	\$ -	\$ -	\$ 29,715	\$ 29,715
State Sources	2,430,080	2,526,006	2,509,992	(16,014)
Local Sources	1,274,177	1,356,276	1,433,258	76,982
TOTAL REVENUES	3,704,257	3,882,282	3,972,965	90,683
EXPENDITURES				
Instructional Program	1,774,762	1,858,446	1,833,995	24,451
Student Supporting Services	205,941	174,848	173,205	1,643
Instructional Staff Supporting Services	177,665	180,397	180,986	(589)
General Administration Supporting Services	250,223	260,555	258,054	2,501
School Administration Supporting Services	213,681	220,758	220,104	654
Business Supporting Services	136,797	139,646	139,236	410
Operations and Maintenance of Plant Services	571,291	586,078	553,987	32,091
Student Transportation Services	161,317	164,204	174,732	(10,528)
Central Supporting Services	51,230	51,230	37,217	14,013
TOTAL EXPENDITURES	3,542,907	3,636,162	3,571,516	64,646
Excess (deficiency) of revenues over expenditures	161,350	246,120	401,449	155,329
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	(161,350)	(209,350)	(209,350)	-
TOTAL OTHER FINANCING SOURCES (USES)	(161,350)	(209,350)	(209,350)	-
Net change in Fund Balance	-	36,770	192,099	155,329
Fund Balance, Beginning of Year	1,370,732	-	1,484,261	1,484,261
Fund Balance, End of Year	\$ 1,370,732	\$ 36,770	\$ 1,676,360	\$ 1,639,590

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.
This schedule is presented on the GAAP basis.

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SCDTIF PENSION PLAN

For the Years Ended June 30,

	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0454531481%	0.0469017857%	0.0489168619%	0.0509478525%	0.0531885519%
District's proportionate share of the net pension liability (asset)	\$ 14,697,933	\$ 13,964,476	\$ 7,481,489	\$ 6,905,145	\$ 6,784,185
District's covered payroll	\$ 2,096,700	\$ 2,105,037	\$ 2,131,786	\$ 2,130,348	\$ 2,144,198
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	701%	663%	351%	324%	316%
Plan fiduciary net position as a percentage of the total pension liability	44.0%	43.1%	59.2%	62.8%	64.1%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years which information is available.

Notes to Required Supplementary Information:

See Note 11 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA SCHEDTF PENSION PLAN
For the Years Ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 404,645	\$ 383,777	\$ 378,405	\$ 358,216	\$ 341,974	\$ 326,829	\$ 305,785	\$ 277,096	\$ 265,538	\$ 245,590
Contributions in relation to the contractually required contribution	(404,645)	(383,777)	(378,405)	(358,216)	(341,974)	(326,829)	(305,785)	(277,096)	(265,538)	(245,590)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	2,142,344	2,087,585	2,133,805	2,117,125	2,138,956	2,116,694	2,131,556	2,074,289	2,144,230	2,139,954
Contributions as a percentage of covered payroll	18.89%	18.38%	17.73%	16.92%	15.99%	15.44%	14.35%	13.36%	12.38%	11.48%

Notes to Required Supplementary Information:

See Note 11 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

	2018	2017
District's proportion of the net OPEB liability	0.0258263054%	0.0259550600%
District's proportionate share of the net OPEB liability (asset)	\$ 335,639	\$ 336,516
District's covered payroll	\$ 2,096,700	\$ 2,105,037
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	17.5%	20.1%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years which information is available.

Notes to Required Supplementary Information:

There have not been any changes in assumptions or other inputs.

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA HEALTHCARE TRUST FUND

For the Years Ended June 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 21,852	\$ 21,293	\$ 21,765	\$ 21,595	\$ 21,817	\$ 21,590	\$ 21,742	\$ 21,158	\$ 21,871	\$ 21,828
Contributions in relation to the contractually required contribution	(21,852)	(21,293)	(21,765)	(21,595)	(21,817)	(21,590)	(21,742)	(21,158)	(21,871)	(21,828)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	2,142,344	2,087,585	2,133,805	2,117,125	2,138,956	2,116,694	2,131,556	2,074,289	2,144,230	2,139,954
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

Notes to Required Supplementary Information:

There have not been any changes in assumptions or other inputs.

SARGENT SCHOOL DISTRICT RE-33J

SUPPLEMENTARY INFORMATION

The combining financial schedules represent the second level of financial reporting for the District. These schedules present more detailed information for the individual funds in a format that segregates information by fund type.

**SARGENT SCHOOL DISTRICT RE-33J
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

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

Federal Programs Fund - Used to account for financial transactions for grants received for designated programs funded by federal, state, or local governments.

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

Food Service Fund - Used to account for the District's food service program. Revenues are derived from District contributions and student and adult charges.

CAPITAL PROJECTS FUNDS

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

SARGENT SCHOOL DISTRICT RE-33J
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2018

	SPECIAL REVENUE FUNDS				CAPITAL RESERVE CAPITAL PROJECTS FUND	TOTAL NONMAJOR FUNDS
	FEDERAL PROGRAMS FUND	PUPIL ACTIVITY FUND	FOOD SERVICE FUND			
ASSETS						
Cash and Cash Equivalents	\$ 1,968	\$ 16,756	\$ 61,624	\$ 10,645	\$ 90,993	
Due from Other Governments	28,360	-	-	-	28,360	
Due from Other Funds	-	-	-	-	-	
Inventory	-	-	7,202	-	7,202	
TOTAL ASSETS	\$ 30,328	\$ 16,756	\$ 68,826	\$ 10,645	\$ 126,555	
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ 7,824	\$ -	\$ 20	\$ 8,384	\$ 16,228	
Accrued Salaries and Benefits	12,754	-	15,508	-	28,262	
Due to Other Funds	-	-	1,250	-	1,250	
Unearned Grant Revenue	9,750	-	-	-	9,750	
TOTAL LIABILITIES	30,328	-	16,778	8,384	55,490	
FUND BALANCE						
Nonspendable Fund Balance	-	-	7,202	-	7,202	
Committed Fund Balance:						
Pupil Activities	-	16,756	-	-	16,756	
Food Service	-	-	44,846	-	44,846	
Capital Projects	-	-	-	2,261	2,261	
TOTAL FUND BALANCE	-	16,756	52,048	2,261	71,065	
TOTAL LIABILITIES AND FUND BALANCE	\$ 30,328	\$ 16,756	\$ 68,826	\$ 10,645	\$ 126,555	

SARGENT SCHOOL DISTRICT RE-33J
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2018

	SPECIAL REVENUE FUNDS				CAPITAL RESERVE CAPITAL PROJECTS FUND	TOTAL NONMAJOR FUNDS
	FEDERAL PROGRAMS FUND	PUPIL ACTIVITY FUND	FOOD SERVICE FUND			
REVENUES						
Federal Sources	\$ 102,962	\$ -	\$ 70,652	\$ -	\$ -	\$ 173,614
State Sources	17,653	-	1,980	-	-	19,633
Local Sources	40,323	24,845	85,383	7	7	150,558
TOTAL REVENUES	160,938	24,845	158,015	7	7	343,805
EXPENDITURES						
Instructional Program	94,853	67,278	-	-	-	162,131
Student Supporting Services	23,762	-	-	-	-	23,762
Instructional Staff Supporting Services	2,000	-	-	-	-	2,000
Central Supporting Services	40,323	-	-	-	-	40,323
Food Services	-	-	186,898	-	-	186,898
Facilities Acquisition and Construction	-	-	-	130,877	-	130,877
TOTAL EXPENDITURES	160,938	67,278	186,898	130,877	130,877	545,991
Excess (deficiency) of revenues over expenditures	-	(42,433)	(28,883)	(130,870)		(202,186)
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	-	44,000	47,350	118,000		209,350
TOTAL OTHER FINANCING SOURCES (USES)	-	44,000	47,350	118,000	118,000	209,350
Net Change in Fund Balance	-	1,567	18,467	(12,870)		7,164
Fund Balance, Beginning of Year	-	15,189	33,581	15,131		63,901
Fund Balance, End of Year	-	\$ 16,756	\$ 52,048	\$ 2,261	\$	\$ 71,065

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROGRAMS FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Federal Sources	\$ 113,151	\$ 114,311	\$ 102,962	\$ (11,349)
State Sources	25,863	18,468	17,653	(815)
Other Sources	-	44,002	40,323	(3,679)
TOTAL REVENUES	<u>139,014</u>	<u>176,781</u>	<u>160,938</u>	<u>(15,843)</u>
EXPENDITURES				
Instructional Program	116,342	107,409	94,853	12,556
Student Supporting Services	14,110	23,370	23,762	(392)
Instructional Staff Supporting Services	8,562	2,000	2,000	-
Central Supporting Services	-	44,002	40,323	3,679
TOTAL EXPENDITURES	<u>139,014</u>	<u>176,781</u>	<u>160,938</u>	<u>15,843</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ 206,000	\$ 206,000	\$ 24,845	\$ (181,155)
TOTAL REVENUES	<u>206,000</u>	<u>206,000</u>	<u>24,845</u>	<u>(181,155)</u>
EXPENDITURES				
Instructional Program	250,000	250,000	67,278	182,722
TOTAL EXPENDITURES	<u>250,000</u>	<u>250,000</u>	<u>67,278</u>	<u>182,722</u>
Excess (deficiency) of revenues over expenditures	<u>(44,000)</u>	<u>(44,000)</u>	<u>(42,433)</u>	<u>1,567</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	44,000	44,000	44,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>44,000</u>	<u>44,000</u>	<u>44,000</u>	<u>-</u>
Net Change in Fund Balance	-	-	1,567	1,567
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>15,189</u>	<u>15,189</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,756</u>	<u>\$ 16,756</u>

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Year Ended June 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Federal Sources	\$ 75,931	\$ 70,931	\$ 70,652	\$ (279)
State Sources	2,653	2,653	1,980	(673)
Local Sources	85,805	81,005	85,383	4,378
TOTAL REVENUES	<u>164,389</u>	<u>154,589</u>	<u>158,015</u>	<u>3,426</u>
EXPENDITURES				
Supporting Services				
Food Services				
Salaries	80,544	84,893	81,384	3,509
Fringe Benefits	25,418	26,069	27,170	(1,101)
Food and Commodities	97,977	84,431	67,614	16,817
Supplies and Materials	2,000	5,746	10,082	(4,336)
Other Operating	800	800	648	152
TOTAL EXPENDITURES	<u>206,739</u>	<u>201,939</u>	<u>186,898</u>	<u>15,041</u>
Excess (deficiency) of revenues over expenditures	<u>(42,350)</u>	<u>(47,350)</u>	<u>(28,883)</u>	<u>18,467</u>
OTHER FINANCING SOURCES				
Transfers from Other Funds	<u>42,350</u>	<u>47,350</u>	<u>47,350</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>42,350</u>	<u>47,350</u>	<u>47,350</u>	<u>-</u>
Net Change in Fund Balance	-	-	18,467	18,467
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>33,581</u>	<u>33,581</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,048</u>	<u>\$ 52,048</u>

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE CAPITAL PROJECTS FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ 10	\$ 10	\$ 7	\$ (3)
TOTAL REVENUES	<u>10</u>	<u>10</u>	<u>7</u>	<u>(3)</u>
EXPENDITURES				
Facilities Acquisition and Construction	75,010	118,010	130,877	(12,867)
TOTAL EXPENDITURES	<u>75,010</u>	<u>118,010</u>	<u>130,877</u>	<u>(12,867)</u>
Excess (deficiency) of revenues over expenditures	<u>(75,000)</u>	<u>(118,000)</u>	<u>(130,870)</u>	<u>(12,870)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of fixed assets	-	-	-	-
Transfers from Other Funds	75,000	118,000	118,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>75,000</u>	<u>118,000</u>	<u>118,000</u>	<u>-</u>
Net Change in Fund Balance	-	-	(12,870)	(12,870)
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>15,131</u>	<u>15,131</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,261</u>	<u>\$ 2,261</u>

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BOND REDEMPTION FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources	\$ 377,200	\$ 377,200	\$ 398,639	\$ 21,439
TOTAL REVENUES	<u>377,200</u>	<u>377,200</u>	<u>398,639</u>	<u>21,439</u>
EXPENDITURES				
Debt Service	<u>377,200</u>	<u>377,200</u>	<u>375,578</u>	<u>1,622</u>
TOTAL EXPENDITURES	<u>377,200</u>	<u>377,200</u>	<u>375,578</u>	<u>1,622</u>
Net Change in Fund Balance	-	-	23,061	23,061
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>394,041</u>	<u>394,041</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 417,102</u>	<u>\$ 417,102</u>



**Wall,
Smith,
Bateman Inc.**

To the Board of Education
Sargent School District RE-33J
Monte Vista, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sargent School District RE-33J (the District), as of and for the year ended June 30, 2018, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 06, 2018.

In connection with our audit, one item came to our attention that caused us to believe that the District failed to comply with the Colorado Department of Education Financial Policies and Procedures Manual insofar as it relates to accounting matters. The District's total expenditures exceeded budgeted expenditures in the Capital Reserve Capital Projects Fund by \$12,867 for the fiscal year ended June 30, 2018. This may be a violation of Colorado Revised Statutes 22-44-115(1). However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Education and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 06, 2018

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com



Colorado Department of Education
Auditors Integrity Report
 District: 2750 - SARGENT RE-33J
 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	1,484,269		3,566,575		3,376,479		1,676,365
18 Risk Mgmt Sub-Fund of General Fund	-5		88,840		88,839		-5
19 Colorado Preschool Program Fund	0		106,200		106,200		0
Sub-Total	1,484,263		3,763,615		3,571,519		1,676,360
11 Charter School Fund	0		0		0		0
20,26-29 Special Revenue Fund	0		0		0		0
06 Supplemental Cap Const, Tech, Main, Fund	0		0		0		0
21 Food Service Spec Revenue Fund	33,581		205,365		186,898		52,048
22 Govt Designated-Purpose Grants Fund	0		160,938		160,938		0
23 Pupil Activity Special Revenue Fund	15,189		68,845		67,278		16,756
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	394,041		398,639		375,578		417,103
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	15,131		118,007		130,877		2,261
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
Total	1,942,206		4,715,410		4,493,068		2,164,528
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60,65-69 Other Internal Service Funds	0		0		0		0
Total	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	63,735		160,534		134,795		89,474
79 GASB 34-Permanant Fund	0		0		0		0
85 Foundations	0		0		0		0
Total	63,735		160,534		134,795		89,474
FINAL							89,474