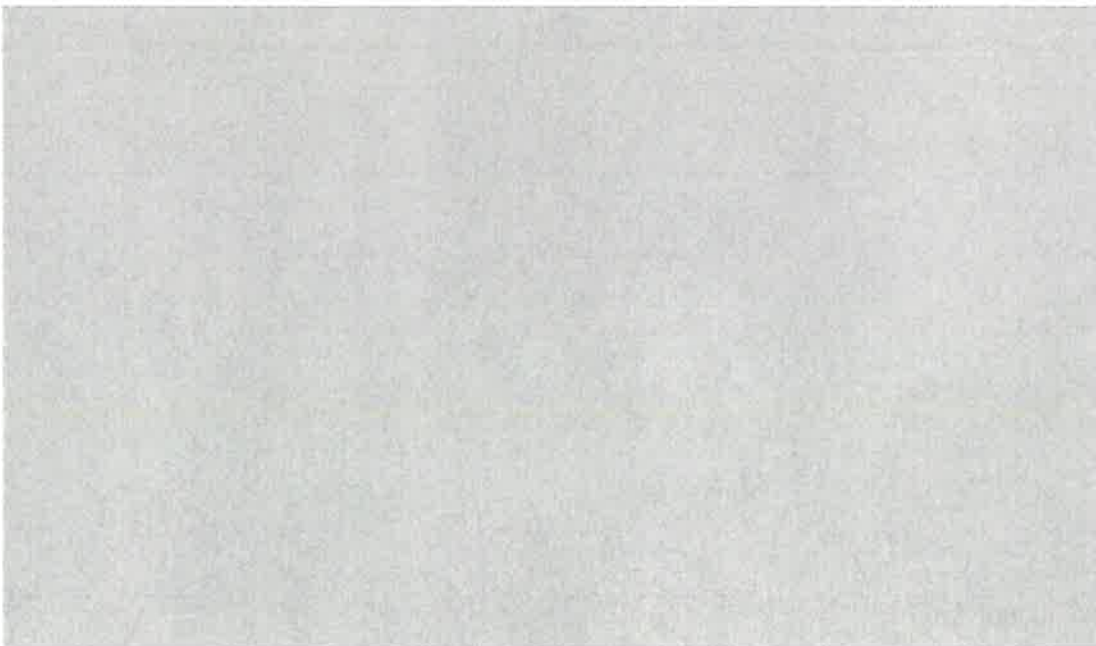


**SIERRA GRANDE SCHOOL DISTRICT R-30
BLANCA, COLORADO**

FINANCIAL STATEMENTS

June 30, 2018



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

SIERRA GRANDE SCHOOL DISTRICT R-30
TABLE OF CONTENTS
June 30, 2018

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	20
Governmental Fund Financial Statements:	
Balance Sheet	21
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	24
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Assets and Liabilities	25
Notes to the Basic Financial Statements	26
Required Supplementary Information	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	53
Schedule of the District's Proportionate Share of the Net Pension Liability - PERA SCHDTF Pension Plan	54
Schedule of District Contributions - PERA SCHDTF Pension Plan	55
Schedule of the District's Proportionate Share of the Net OPEB Liability - Colorado PERA Healthcare Trust Fund	56
Schedule of District Contributions - Colorado PERA Healthcare Trust Fund	57
Supplementary Information	
Combining Schedules of Nonmajor Governmental Funds:	
Combining Balance Sheet	58
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	59
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Food Service Fund	60
Governmental Designated Purpose Grants Fund	61
Student Activity Fund	62
Report on Compliance with CDE - Financial Policies and Procedures Manual	63
Colorado School Districts Auditor's Integrity Report	64



Wall,
Smith,
Bateman Inc.

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Sierra Grande School District R-30
Blanca, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sierra Grande School District R-30 (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 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 benefit information on pages 3-16 and 53-57 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 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

March 14, 2019

SIERRA GRANDE SCHOOL DISTRICT R-30
MANAGEMENT'S DISCUSSION AND ANALYSIS

SIERRA GRANDE SCHOOL DISTRICT R-30 Management's Discussion and Analysis for the Year Ended June 30, 2018

INTRODUCTION

The Sierra Grande School District Superintendent, District Bookkeeper and Administrative Assistant are making available to the general public in a narrative overview and analysis of the financial condition of the District. This narrative identifies the different funds currently used by the School District financial administration team in managing the revenues and expenditures of the District. This abstract is a management analysis of the 2018 fiscal year which began on July 1, 2017 and ended June 30, 2018.

This abstract is intended to be read and understood by any and all parents, taxpayers and residents of the School District. Its primary purpose is to allow all interested parties to examine in an uncomplicated form the financial condition of the District and to cause the reader to be satisfied with the financial condition of the District or to raise appropriate questions for discussion.

FINANCIAL HIGHLIGHTS

- 1. General Fund** – During the 2017-2018 fiscal year the District was scheduled to receive \$1,895,828 in local property taxes and received \$1,916,729. Actual expenditures were \$841,517 less than budgeted.
- 2. Government Designated Purpose Grants Funds** -The Governmental Designated Purpose Grants Fund beginning fund balance was \$2,540. The grant fund had revenue of \$73,693 of and expenditures of \$76,793 for an ending fund balance of \$0.
- 4. Pupil Activity Fund** - The Pupil Activity Fund records financial transactions of school sponsored pupil intra-scholastic and interscholastic athletic and other related activities. The activities are supported primarily by the General Fund.

Other revenues such as gate receipts and fund raising events contribute to the revenues of this fund. The beginning fund balance for the account was \$10,197 with revenues and transfers of \$63,039 and expenditures of \$61,873 for an ending fund balance of \$11,363.

- 5. Food Service Fund**- The Food Service Fund had a beginning fund balance of \$41,109. The total revenues from the Federal and State Programs, General Fund

transfers, and collections equal \$297,005. Expenditures for the 2018 fiscal year totaled \$299,249 leaving an end of the year fund balance of \$38,865.

- 6. Agency Fund** - This fund holds the financial assets of student class organizations, private organizations and other governmental groups such as Booster Club, PTA/PTO, Senior Class, Spanish Club and the like.

This fund had a beginning balance of \$61,042 and revenues and transfers of \$57,361 and expenses \$70,089 for an ending fund balance of \$48,314.

The District personnel will inform the account holder of any revenues and expenses as they occur. The District will also inform the account holder of any irregularities that it identifies in the use of the account.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, 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 funds statements tell how basic services such as instruction were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

District-wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position 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 facilities.
- *Governmental activities*- Most of the District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. These activities are financed mainly through property taxes and state equalization funds.

BUDGETARY HIGHLIGHTS

General Fund

The General Fund budget is prepared with liberal expenditures identified to assure that we do not overspend categories. However, we monitor each account on a monthly basis to ensure that each category maintains a significant and sizeable balance at any given time. Revenues are budgeted conservatively to reflect actual income as close as possible.

There are numerous budgetary practices. This approach has served the District well over the years.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law. However, the District establishes many other funds to help it manage and control its finances to achieve certain results.

The District uses two types of funds:

- **Governmental funds-** Most of the District's basic services are included in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

The governmental funds are as follows:

- o **General Fund-** (Governmental Fund) is used to account for all financial resources except those required to be accounted for in another fund (GASB 1300.104). The General fund is used to account for all ordinary operations of a school system.
- o **Governmental Designated Purpose Grants Fund-** is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The funds may be used to account for certain designated restricted local, state, and federal grants.
- o **Pupil Activity Fund** -is used to record financial transactions related to school-sponsored pupil intra-scholastic and interscholastic athletic and other related activities. These activities are supported in whole or in part by revenue from pupils, gate receipts, and other fund-raising activities.
- o **Colorado Preschool Program Fund** - Moneys allocated pursuant to section 22-28-108(5.5) shall be deposited in the preschool program fund of the District. In addition, any other moneys of the District that may be used to pay the costs of providing preschool services directly to children enrolled in the District's preschool program pursuant to article 28 of this title may be deposited in the preschool program fund of the District. Expenditures from the fund shall only be made to pay the costs of providing preschool services directly to children enrolled in the District's preschool program pursuant to article 28 of this title. Such costs shall include teacher and paraprofessional salaries and benefits, supplies and materials, home visits, the entire cost of any preschool program contracted services, the costs of their parents, any associated professional development activities, costs that a District would not otherwise have incurred but for the services provided in conjunction with the five percent of such overhead costs. Any moneys remaining in the fund at the end of the year shall remain in the fund.

This is accounted for as part of the General Fund.

- **Food Services Fund**- is used to record financial transactions related to food service operations. If the school District receives USDA school breakfast/lunch money this fund is required.
- **Fiduciary funds**- The District is the agent, or fiduciary, for assets that belong to others, such as the Student Activity Fund. The District is responsible for ensuring that the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The fiduciary fund is as follows:

- **Agency Fund** - is used to account for assets held by a school District as an agent for individuals, private organizations, other governmental units and/or other funds. (Examples of the use of this fund at Sierra Grande are Clubs, PTA, PTO, Student organizations, Class organizations, etc.)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$(4,541,067) on June 30, 2018, which was less than at June 30, 2017, decreasing by \$1,928,566 plus an additional decrease of \$283,923 because of the GASB 75 Restatement.

Table 1 provides a summary of the District's net position for fiscal year 2017 and 2018.

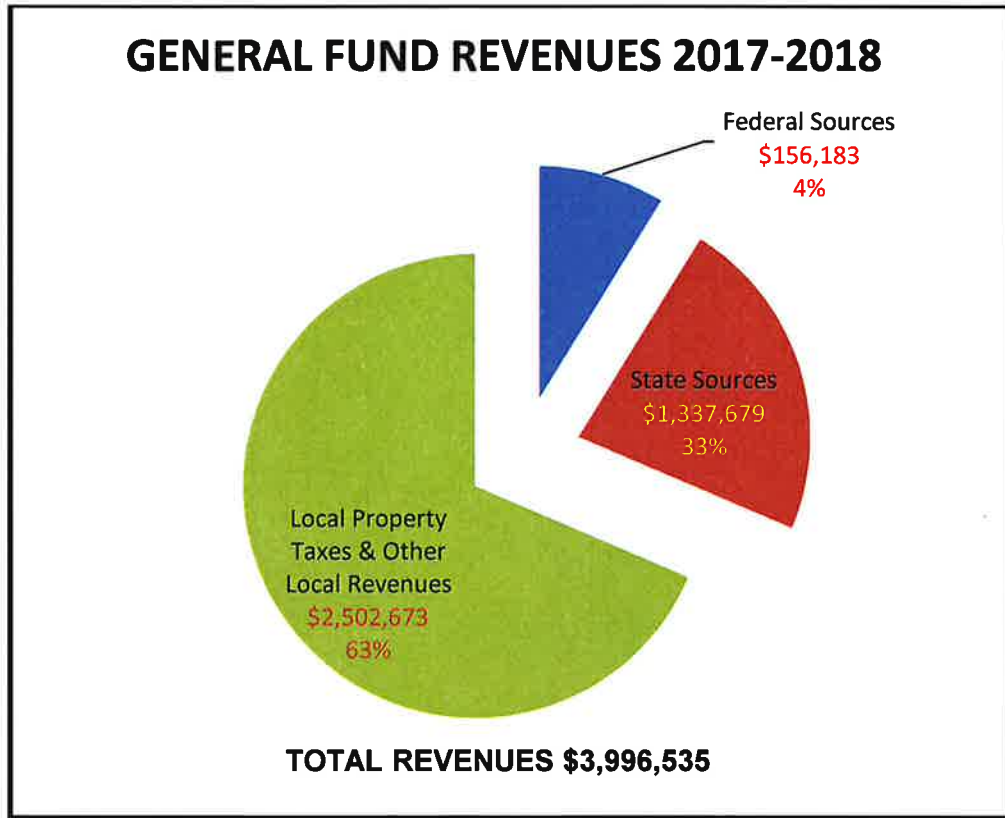
Table 1
Condensed Statement of Net position

	Governmental Activities		Total School District	
	2017	2018	2017	2018
Assets				
Current assets	\$ 1,531,772	\$ 1,917,046	\$ 1,531,772	\$ 1,917,046
Capital assets	\$ 4,623,908	\$ 4,541,892	\$ 4,623,908	\$ 4,541,892
Total assets	\$ 6,155,680	\$6,458,938	\$6,155,680	\$ 6,458,938
Deferred Outflows	\$ 4,560,737	\$ 3,797,025	\$4,560,737	\$ 3,797,025
Liabilities				
Current liabilities	\$ 345,578	\$ 462,115	\$ 345,578	\$ 462,115
Non-current liabilities	\$12,195,266	\$13,527,349	\$12,195,266	\$ 13,527,349
Total liabilities	\$12,540,844	\$ 13,989,464	\$12,540,844	\$ 13,989,464
Deferred Inflows of Resources:				
Deferred Revenue-Property Tax	\$ 222,743	\$ 195,475	\$ 222,743	\$ 195,475
Pension and OPEB	\$ 281,408	\$ 612,091	\$ 281,408	\$ 612,091
Net position				
Net investment in capital assets	\$ 4,225,057	\$ 4,195,358	\$ 4,225,057	\$ 4,195,358
Restricted for: TABOR	\$ 111,000	\$ 111,000	\$ 111,000	\$ 111,000
Unrestricted	\$(6,664,635)	\$ (8,847,425)	\$ (6,664,635)	(8,847,425)
Total net position	\$ (2,328,578)	\$ (4,541,067)	\$ (2,328,578)	\$ (4,541,067)

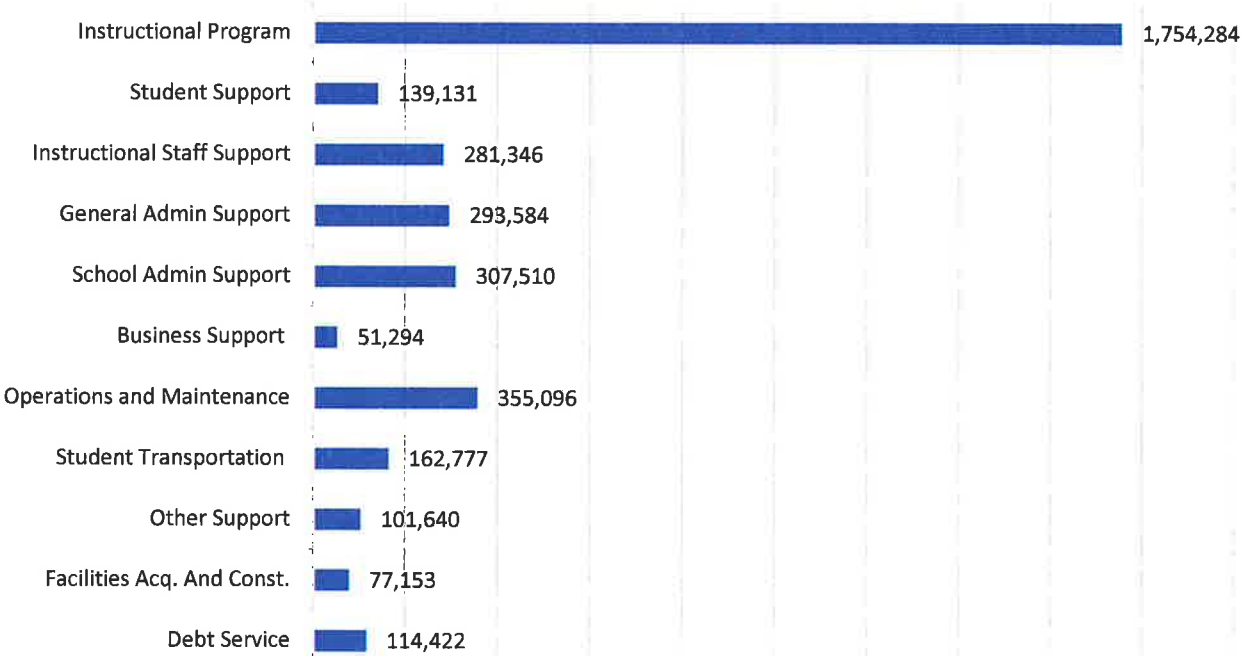
Table 2 shows the changes in net position for fiscal years 2017 and 2018.

Table 2
Changes in Net position

	Governmental Activities	
	2017	2018
Revenues		
Program revenues		
Charges for services	\$ 86,688	\$ 52,092
Operating grants & contributions	\$ 505,481	\$ 855,295
Capital grants & contributions	\$ -	\$ 3,022
General Revenues		
Taxes	\$ 2,044,151	\$ 2,288,578
State Equalization	\$ 1,060,252	\$ 1,122,496
Interest on Investments	\$ 1,580	\$ 1,006
Transfers	\$ -	\$ -
Miscellaneous	\$ 58,767	\$ 22,448
Total revenues	\$ 3,756,919	\$ 4,344,937
Expenses		
Instructional Program	\$ 2,803,096	\$3,380,292
Student Supporting Services	\$ 283,462	\$266,693
Instructional Staff Supporting Services	\$ 303,899	\$379,204
General Administration Supporting Services	\$ 427,361	\$427,786
School Administration Supporting Services	\$ 473,486	\$510,151
Business Supporting Services	\$ 93,454	\$83,643
Operations & Maintenance of Plant Services	\$ 468,259	\$457,268
Student Transportation Services	\$ 196,107	\$282,137
Other Support Services	\$87,958	\$57,353
Interest on Long-term Debt	\$ 20,555	\$17,817
Food Services	\$355,909	\$411,158
Total expenses	\$ 5,509,546	\$6,273,503
Increase (decrease) in net position	\$(1,752,627)	\$(1,928,566)
Net Position, Beginning of Year	\$(575,951)	\$(2,328,578)
Change in Accounting Principal		\$(283,923)
Net Position, Beginning of Year, Restated		\$(2,612,501)
Net Position, End of Year	\$(2,328,578)	\$(4,541,067)



2017-2018 General Fund Expenditures



GRANTS

Revenue

State Sources

Subtotal State Sources **\$ 60,006**

Federal Sources **\$ 13,687**

Subtotal Federal Sources **\$ 13,687**

Local Sources **\$ 0**

Total Grants Revenue **\$ 73,693**

EXPENDITURES

Instructional Program **\$ 63,978**

Instructional Staff Support Services **\$ 12,815**

Total Grants Expenditures **\$ 76,793**

GENERAL FUND ENDING FUND BALANCES	
2001	\$628,855
2002	\$713,715
2003	\$894,356
2004	\$810,614
2005	\$880,066
2006	\$620,894
2007	\$457,465
2008	\$385,171
2009	\$466,591
2010	\$532,930
2011	\$740,906
2012	\$880,313
2013	\$668,474
2014	\$470,187
2015	\$524,807
2016	\$877,514
2017	\$993,792
2018	\$1,310,482

HISTORICAL DATA OCTOBER 1 STUDENT COUNT

FUNDED PUPIL COUNTS/FUNDING PER PUPIL			
October 1, 1997	FY1998	351.0	\$6030.95
October 1, 1998	FY1999	339.8	\$6326.78
October 1, 1999	FY2000	329.9	\$6499.96
October 1, 2000	FY2001	308.3	\$6902.16
October 1, 2001	FY2002	292.9	\$7393.54
October 1, 2002	FY2003	299.0	\$7757.84
October 1, 2003	FY2004	296.0	\$7926.37
October 1, 2004	FY2005	294.7	\$8156.45
October 1, 2005	FY2006	294.3	\$8199.49
October 1, 2006	FY2007	290.0	\$8554.74
October 1, 2007	FY2008	280.0	\$8959.81
October 1, 2008	FY2009	276.4	\$9278.95
October 1, 2009	FY2010	266.9	\$9880.49
October 1, 2010	FY2011	257.5	\$9710.14
October 1, 2011	FY2012	269	\$9054.47
October 1, 2012	FY2013	261.5	\$9181.69
October 1, 2013	FY2014	261.6	\$9350.22
October 1, 2014	FY2015	264.4	\$9830.10
October 1, 2015	FY2016	295.4	\$9903.05
October 1, 2016	FY2017	285.1	\$10,084.40
October 1, 2017	FY18	254.4	\$11,905.05

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$11,905.05 per funded student in FY 2018. In fiscal year 2017 the per pupil funding was \$10,084.40. Funding for the SFA comes from property taxes, specific ownership taxes and state equalization. The District receives approximately 42 percent of this funding from state equalization while 58 percent comes from local property and other taxes.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Information about the District's major funds is located in the Notes to the Basic Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$4,344,937 and expenditures of \$4,076,152.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2018, the District has \$4,541,892 in land, buildings, and equipment (including vehicles), net of accumulated depreciation.

Table 5 shows capital assets for 2017 and 2018.

Table 5
Capital Assets at June 30

	Governmental Activities	
	2017	2018
Land	\$ 2659,753	\$ 259,753
Construction in Progress	\$ -	\$ 77,153
Land Improvements	\$ 5,845	\$ 5,845
Buildings	\$7,550,013	\$7,550,013
Equipment & Vehicles	\$1,256,538	\$1,300,825
Accumulated depreciation	\$(4,448,241)	\$(4,651,691)
TOTAL	\$4,623,908	\$4,541,892

Additional information on the District's capital assets can be found in Note 7 in the Notes to the Basic Financial Statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, there was an identified trend of decreasing collections of delinquent taxes. There is also an identified trend in the escalation of prices in support services. Financial projections and planning need to continue in order to adequately budget for these items.

The District also passed a General Obligation Bond of \$13.78 million in November of 2018 for the matching money required for a Best Grant Fund application. District taxes may be increased by up to \$1.25 million annually for payment of the General Obligation Bond.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, parents, 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:

FINANCIAL ADMINISTRATION TEAM

Darren Edgar, Superintendent
Tammy Ann Martinez, District Bookkeeper
Dawnia Cooper, Administrative Assistant

BOARD OF EDUCATION

Wendy Fischer, President
Esmeralda Martinez, Vice-President
L Christy Smith, Secretary
Walter Roybal, Member
Castorina Gilmartin, Member

Sierra Grande School District R-30
17523 Hwy. 160
Blanca, CO 81123
(719) 379-3259

SIERRA GRANDE SCHOOL DISTRICT R-30

BASIC FINANCIAL STATEMENTS

SIERRA GRANDE SCHOOL DISTRICT R-30
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government Governmental Activities
ASSETS	
Current Assets	
Cash and Investments	\$ 1,236,875
Property Tax Receivable	195,475
Accounts Receivable	176,447
Due from Other Governments	303,292
Inventory	4,957
Total Current Assets	1,917,046
Noncurrent Assets	
Capital Assets:	
Construction in Progress	77,153
Land and Land Improvements	265,598
Buildings	7,550,013
Equipment and Vehicles	1,300,825
Less: Accumulated Depreciation	(4,651,697)
Total Noncurrent Assets	4,541,892
TOTAL ASSETS	6,458,938
DEFERRED OUTFLOWS OF RESOURCES	
Pension	3,783,350
OPEB	13,675
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,797,025
LIABILITIES	
Current Liabilities	
Accounts Payable	45,972
Accrued Salaries and Benefits	272,658
Unearned Grant Revenue	42,231
Lease Purchase Agreements	99,829
Compensated Absences	1,425
Total Current Liabilities	462,115
Noncurrent Liabilities	
Lease Purchase Agreements	246,705
Compensated Absences	29,439
Net Pension Liability	12,955,278
Net OPEB Liability	295,927
Total Noncurrent Liabilities	13,527,349
TOTAL LIABILITIES	13,989,464
DEFERRED INFLOWS OF RESOURCES	
Pension	607,142
OPEB	4,949
Unavailable Revenue- Property Tax	195,475
TOTAL DEFERRED INFLOWS OF RESOURCES	807,566

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

SIERRA GRANDE SCHOOL DISTRICT R-30

STATEMENT OF NET POSITION

June 30, 2018

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
NET POSITION	
Net Investment in Capital Assets	4,195,358
Restricted for:	
TABOR	111,000
Unrestricted	<u>(8,847,425)</u>
TOTAL NET POSITION	<u>\$ (4,541,067)</u>

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

SIERRA GRANDE SCHOOL DISTRICT R-30
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenue and Changes in Net Position
					Primary Government
Primary Government:					
Governmental Activities:					
Instructional Program	\$ 3,380,292	\$ -	\$ 485,790	\$ -	\$ (2,894,502)
Student Support Services	266,693	-	100,748	-	(165,945)
Instructional Staff Support Services	379,204	-	9,781	-	(369,423)
General Administration Support Services	427,786	23,716	-	-	(404,070)
School Administration Support Services	510,151	-	-	-	(510,151)
Business Support Services	83,643	-	-	-	(83,643)
Operations and Maintenance of Plant Services	457,268	-	-	3,022	(454,246)
Student Transportation Services	282,137	-	36,392	-	(245,745)
Food Services	411,158	28,376	222,584	-	(160,198)
Other Support Services	57,353	-	-	-	(57,353)
Interest on Long-term Debt	17,818	-	-	-	(17,818)
Total Governmental Activities	6,273,503	52,092	855,295	3,022	(5,363,094)
Total Primary Government	\$ 6,273,503	\$ 52,092	\$ 855,295	\$ 3,022	(5,363,094)
General Revenues					
Taxes:					
					1,916,729
					151,023
					220,826
					1,122,496
					1,006
					22,448
Total General Revenues					3,434,528
					(1,928,566)
Change in Net Position					(1,928,566)
Net Position, Beginning of Year					(2,328,578)
GASB 75 Restatement					(283,923)
Net Position, Beginning of Year Restated					(2,612,501)
Net Position, End of Year					\$ (4,541,067)

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

SIERRA GRANDE SCHOOL DISTRICT R-30
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2018

	GENERAL FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Investments	\$ 1,214,011	\$ 22,864	\$ 1,236,875
Property Tax Receivable	195,475	-	195,475
Accounts Receivable	176,447	-	176,447
Due from Other Governments	248,301	54,991	303,292
Inventory	-	4,957	4,957
TOTAL ASSETS	\$ 1,834,234	\$ 82,812	\$ 1,917,046
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 41,451	\$ 4,474	\$ 45,925
Accrued Salaries and Benefits	258,420	14,285	272,705
Unearned Grant Revenue	28,406	13,825	42,231
TOTAL LIABILITIES	328,277	32,584	360,861
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue- Property Tax	195,475	-	195,475
FUND BALANCE			
Nonspendable			
Inventory	-	4,957	4,957
Restricted for			
TABOR	111,000	-	111,000
Committed			
Preschool	10,074	-	10,074
Grant Programs	-	-	-
Pupil Activities	-	11,363	11,363
Food Services	-	33,908	33,908
Assigned			
Subsequent Year Expenditures	38,000	-	38,000
Unassigned	1,151,408	-	1,151,408
TOTAL FUND BALANCE	1,310,482	50,228	1,360,710
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,834,234	\$ 82,812	\$ 1,917,046

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

SIERRA GRANDE SCHOOL DISTRICT R-30
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total governmental fund balances		\$ 1,360,710
 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.		4,541,892
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.		3,797,025
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Lease Purchase Agreements	(346,534)	
Compensated Absences	(30,864)	
	(377,398)	(377,398)
Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds.		(13,251,205)
Certain amounts related to the net pension and OPEB liability are deferred and amortized over time. These are not reported in the funds.		(612,091)
Net position of governmental activities		\$ (4,541,067)

SIERRA GRANDE SCHOOL DISTRICT R-30
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2018

	GENERAL FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Local Sources	\$ 2,497,214	\$ 72,460	\$ 2,569,674
State Sources	1,337,679	61,346	1,399,025
Federal Sources	141,307	234,931	376,238
TOTAL REVENUES	3,976,200	368,737	4,344,937
EXPENDITURES			
Instructional Program	1,754,284	125,851	1,880,135
Student Support Services	139,131	-	139,131
Instructional Staff Support Services	281,346	12,815	294,161
General Administration Support Services	293,584	-	293,584
School Administration Support Services	307,510	-	307,510
Business Support Services	51,294	-	51,294
Operations and Maintenance of Plant Services	355,096	-	355,096
Student Transportation Services	162,777	-	162,777
Food Services	-	299,249	299,249
Other Support Services	101,640	-	101,640
Facilities Acquisition and Construction Costs	77,153	-	77,153
Debt Service	114,422	-	114,422
TOTAL EXPENDITURES	3,638,237	437,915	4,076,152
Excess (deficiency) of revenues over expenditures	337,963	(69,178)	268,785
OTHER FINANCING SOURCES (USES)			
Lease Proceeds	44,287	-	44,287
Transfers From Other Funds	-	65,560	65,560
Transfers To Other Funds	(65,560)	-	(65,560)
TOTAL OTHER FINANCING SOURCES (USES)	(21,273)	65,560	44,287
Net Change in Fund Balance	316,690	(3,618)	313,072
Fund Balance, Beginning of Year	993,792	53,846	1,047,638
Fund Balance, End of Year	\$ 1,310,482	\$ 50,228	\$ 1,360,710

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

SIERRA GRANDE SCHOOL DISTRICT R-30
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 **\$ 313,072**

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.

Capital Asset Additions	\$ 121,440	
Depreciation expense	<u>(203,456)</u>	(82,016)

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.

Lease Proceeds	\$ (44,287)	
Principal payments on lease purchase agreements	<u>96,604</u>	52,317

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>(2,211,939)</u>
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Change in net position of governmental activities		<u><u>\$ (1,928,566)</u></u>
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SIERRA GRANDE SCHOOL DISTRICT R-30
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2018

	<u>STUDENT ACTIVITY AGENCY FUND</u>
ASSETS	
Cash and Cash Equivalents	\$ 48,314
TOTAL ASSETS	<u>\$ 48,314</u>
LIABILITIES	
Due to Student Activities	\$ 48,314
TOTAL LIABILITIES	<u>\$ 48,314</u>

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

SIERRA GRANDE SCHOOL DISTRICT R-30
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

Sierra Grande School District R-30 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 school board has the authority to issue bonds up to 20% of the latest assessed valuation of the taxable property in the District. The board also has authority to select the depository of school funds and acquire short-term loans.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *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 District 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.

SIERRA GRANDE SCHOOL DISTRICT R-30
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 fund:

- 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.

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.

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

Cash

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

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Investments

All investments, if any, are recorded at fair market value.

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, 2017 have been recorded in the financial statements as an asset and a corresponding deferred inflows of resources.

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, 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:

Assets	Years
Land Improvements	15-50
Buildings	10-50
Equipment	5-20
Vehicles	8-10

Long-Term Obligations

Long-term debt and other long-term obligations are recorded as liabilities in the government-wide financial statements. In the fund financial statements for governmental fund types, debt proceeds are reported as an other financing source and debt payments are reported as debt service expenditures.

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Compensated Absences

Employees of the District may accumulate sick leave up to 60 days. Upon retirement from the District, an employee will receive one-half the certified substitute teacher's rate per day for each sick day accumulated. Employees leaving the District for any other reason will receive one-fourth the daily substitute rate for each sick day accumulated. 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 applies 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 statement of net position and the balance sheet report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

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*.

OPEB

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to 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.

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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 purpose 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.

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 actions.

Encumbrances

The District does not record purchase orders in the accounting system until invoices are ready for payment. 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.

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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 \$283,923. The OPEB liability recorded as of June 30, 2018 was \$295,927. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

Reclassification

Certain amounts in fiscal year 2017 have been reclassified to conform to fiscal year 2018 financial statement presentation.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Sierra Grande School District R-30 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. The Board of Education adopted supplemental appropriations during fiscal year 2018.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget, if applicable.

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Stewardship

Expenditures exceeded budgetd appropriations in the Governmental Designated Purpose Grants Fund by \$10,016 during FY2018. This may be a violation of Colorado Revised State Statutes 22-44-115(1).

NOTE 3 CASH, DEPOSITS, AND INVESTMENTS

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

Cash in Banks	\$ 1,176,344
COLOTRUST Investments	108,845
Less: amounts related to the Agency Fund	<u>(48,314)</u>
 Total cash, deposits, and investments on the Statement of Net Position	 <u><u>\$ 1,236,875</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 deposit.

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, \$748,804 of the District’s bank balance of \$1,261,348 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

Investments

Colorado Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest, which include the following:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers’ acceptance of certain banks
- Commercial paper holding the highest credit rating category and with a maturity within 180 days
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Fair Value- Fair value investments classified at Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fair value investments classified as Level 2 of the fair value hierarchy are valued using the active market rates for the underlying securities. Fair value investments classified as Level 3 of the fair value hierarchy are valued using non-observable inputs. The District does not have any investments measured at fair value at June 30, 2018.

The District invested \$108,845 in the Colorado Government Liquid Asset Trust (COLOTRUST), a money market investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State Statutes governing COLOTRUST. The pool operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by the U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. COLOTRUST is rated AAAM by Standard and Poors, and maintains a constant net asset value of \$1 per share. Financial statements for COLOTRUST are available at www.colotrust.com.

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

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes limit investments in U.S. Agency securities to the highest rating issued by National Recognized Statistical Rating Organizations (NRSROs).

Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer. The District has not established a policy limiting the investment in any type of security and deems it unnecessary at this time.

NOTE 4 PROPERTY TAXES RECEIVABLE

At June 30, 2018, the District had an estimated property tax receivable of \$195,475.

NOTE 5 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 \$303,292 due from Federal, State, and Local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Food Service Fund	General Fund	\$ 45,000
Governmental Designated Purpose Grants Fund	General Fund	560
Student Activity Fund	General Fund	20,000
		<u>\$ 65,560</u>

The General Fund transferred funds into the Food Service Fund, Governmental Designated Purpose Grants Fund, and Student Activity Fund to subsidize these funds.

NOTE 7 CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2018</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 259,753	\$ -	\$ -	\$ 259,753
Construction In Progress	-	77,153	-	77,153
Total capital assets not being depreciated	<u>259,753</u>	<u>77,153</u>	<u>-</u>	<u>336,906</u>
Capital assets being depreciated				
Land improvements	5,845	-	-	5,845
Buildings	7,550,013	-	-	7,550,013
Equipment	559,926	-	-	559,926
Vehicles	696,612	44,287	-	740,899
Total capital assets being depreciated	<u>8,812,396</u>	<u>44,287</u>	<u>-</u>	<u>8,856,683</u>
Less accumulated depreciation for:				
Land improvements	2,628	292	-	2,920
Buildings	3,347,776	160,508	-	3,508,284
Equipment	487,266	15,352	-	502,618
Vehicles	610,571	27,304	-	637,875
Total accumulated depreciation	<u>4,448,241</u>	<u>203,456</u>	<u>-</u>	<u>4,651,697</u>
Total Capital Assets being depreciated, net	<u>4,364,155</u>	<u>(159,169)</u>	<u>-</u>	<u>4,204,986</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,623,908</u>	<u>\$ (82,016)</u>	<u>\$ -</u>	<u>\$ 4,541,892</u>

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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

<i>Governmental activities:</i>	
Instructional Program	\$ 168,009
Instructional Staff Support Services	2,612
Operations and Maintenance of Plant Services	2,324
Student Transportation Services	27,305
Food Services	3,206
Total depreciation expense – governmental activities	\$ 203,456

NOTE 8 ACCRUED SALARIES AND BENEFITS

The teachers, administrators, and the administrative staff are employed under nine, ten, and eleven month contracts. All District employees are paid on a twelve-month basis, therefore, a difference exists between the actual amount of salaries earned under the contract and the amount paid. The difference between salaries earned and paid, including the District's share of benefits, has been accrued in the financial statements in the amount of \$272,658.

NOTE 9 OPERATING LEASES

The District has entered into several operating lease arrangements for several copy machines. These leases are considered for accounting purposes as operating leases. Lease expenses for the year totaled \$41,584.

NOTE 10 LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

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>					
Lease Purchase Agreements	\$ 398,851	\$ 44,287	\$ (96,604)	\$ 346,534	\$ 99,829
Compensated Absences	30,864	-	-	30,864	1,425
Total	\$ 429,715	\$ 44,287	\$ (96,604)	\$ 377,398	\$ 101,254

Lease Purchase Agreement

The District entered into a \$600,000 lease purchase agreement with First Southwest Bank, payable in annual installments of \$76,733, beginning May 31, 2013, at 4.50% interest, for building improvements incurred by the District. The District received a BEST Grant in the amount of \$803,531 to replace the roof and to perform additional building improvements. The proceeds from this lease were used as the District's match for the BEST Grant. The final payment is due May 31, 2022. The lease is collateralized by five buses recorded in capital assets of the

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

government-wide financial statements at \$304,565 less accumulated depreciation of \$304,565. The principal balance at June 30, 2018 was \$274,853.

Lease Purchase Agreement

The District entered into a \$102,838 lease purchase agreement with San Luis Valley Federal Bank, payable in annual installments of \$22,155, beginning March 30, 2016, at 3.05% interest, for the purchase of a 2016 Blue Bird Vision 71 Passenger School Bus. The final payment is due March 30, 2020. The lease is collateralized by the Blue Bird bus itself, recorded in capital assets of the government-wide financial statements at \$102,838 less accumulated depreciation of \$38,565. The principal balance at June 30, 2018 was \$42,361.

Lease Purchase Agreement

The District entered into a \$44,287 lease purchase agreement with San Luis Valley Federal Bank, payable in annual installments of \$15,507, beginning June 1, 2018, at 2.50% interest, for the purchase of a 2018 Chevy Suburban. The final payment is due June 30, 2020. The lease is collateralized by the Suburban itself, recorded in capital assets of the government-wide financial statements at \$44,287 less accumulated depreciation of \$5,536. The principal balance at June 30, 2018 was \$29,320.

The future minimum lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2019	\$ 99,829	\$ 14,565	\$ 114,394
FY 2020	103,140	10,658	113,798
FY 2021	70,182	6,550	76,732
FY 2022	73,383	3,348	76,731
	<u>\$ 346,534</u>	<u>\$ 35,121</u>	<u>\$ 381,655</u>

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

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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

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

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

Contributions. Eligible employees and the 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	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	19.13%	18.63%

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

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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 \$374,314, 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 \$12,955,278 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, District's proportion was 0.04 percent, which was an increase of 0.0003 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized pension expense of \$2,208,661. 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	\$ 238,193	\$ -
Changes in assumptions and other inputs	3,307,964	20,992
Net difference between projected and actual earnings on pension plan investments	-	508,766
Changes in proportion and differences between contributions recognized and proportionate share of contributions	35,809	77,384
Contributions subsequent to the measurement date	201,384	-
Total	\$ 3,783,350	\$ 607,142

\$201,384 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	\$ 1,985,222
2020	1,164,278
2021	16,723
2022	(191,400)
2023	-
Thereafter	-

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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

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

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

Healthy post-retirement mortality assumptions reflect the RP-2014 White Collar Employee 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.

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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 allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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%.

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.

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

- 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	\$ 16,364,720	\$ 12,955,278	\$ 10,176,973

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.

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

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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 \$12,955,278 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%	\$8,856,943

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 \$9,151,297 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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.

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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 \$20,206 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 \$295,927 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 0.0228 percent, which was an increase of .0001 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized OPEB expense of \$3,278. 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	\$ 1,399	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	4,949
Changes of assumptions or other inputs	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,538	-
Contributions subsequent to the measurement date	10,738	-
Total	\$ 13,675	\$ 4,949

\$10,738 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	(660)
2020	(660)
2021	(660)
2022	(660)
2023	577
Thereafter	52

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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%

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.

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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.
- 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.

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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	<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%.

SIERRA GRANDE SCHOOL DISTRICT R-30
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	<u>\$287,704</u>	<u>\$295,927</u>	<u>\$305,647</u>

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.

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:

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 332,621	\$ 295,927	\$ 264,453

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, employer contributions and investment earnings. For the year ended June 30, 2018 program members contributed \$3,846 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.

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.

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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 have 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 is 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

The District participates in federal grant programs subject to program compliance audits by the grantors or their representatives. The amount 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.

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 5, 1996, the registered voters approved a ballot question which stated that the District is authorized to collect, retain and expend all revenues including grants and other funds collected during 1996 and each subsequent year from any source, 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 is presented as a restricted fund balance on the General Fund balance sheet and a restricted net position on 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.

SIERRA GRANDE SCHOOL DISTRICT R-30
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

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 commercial insurance purchased from the 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:

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Beginning Balance of Pupil Activity Receipts	\$ 50,000	\$ 50,000	\$ 61,042	\$ 11,042
Agency Fund Receipts	60,000	60,000	57,361	(2,639)
Agency Fund Disbursements	<u>(110,000)</u>	<u>(110,000)</u>	<u>(70,089)</u>	<u>39,911</u>
Ending Balance of Pupil Activity Deposits	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,314</u>	<u>\$ 48,314</u>

NOTE 19 SUBSEQUENT EVENT

The District passed a General Obligation Bond of \$13.78 million in November of 2018 for the matching money required for a Best Grant Fund application. District taxes may be increased by the District up to \$1.25 million annually for payment of the General Obligation Bond.

SIERRA GRANDE SCHOOL DISTRICT R-30

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, 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 are required to supplement the basic financial statements.

SIERRA GRANDE SCHOOL DISTRICT R-30
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Local Sources	\$ 2,222,386	\$ 2,367,387	\$ 2,497,214	\$ 129,827
State Sources	1,235,084	1,340,635	1,337,679	(2,956)
Federal Sources	111,732	111,732	141,307	29,575
TOTAL REVENUES	3,569,202	3,819,754	3,976,200	156,446
EXPENDITURES				
Instructional Program	1,684,153	2,012,752	1,754,284	258,468
Student Support Services	180,878	184,713	139,131	45,582
Instructional Staff Support Services	226,802	240,327	281,346	(41,019)
General Administration Support Services	311,220	339,123	293,584	45,539
School Administration Support Services	319,420	314,614	307,510	7,104
Business Support Services	64,543	67,842	51,294	16,548
Operations and Maintenance of Plant Services	565,876	488,033	355,096	132,937
Student Transportation Services	195,007	204,547	162,777	41,770
Other Support Services	91,000	112,500	101,640	10,860
Facilities Acquisition and Construction Costs	-	-	77,153	(77,153)
Debt Service	103,674	103,674	114,422	(10,748)
Reserves	411,629	411,629	-	411,629
TOTAL EXPENDITURES	4,154,202	4,479,754	3,638,237	841,517
Excess (deficiency) of revenues over expenditures	(585,000)	(660,000)	337,963	997,963
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	-	-	44,287	44,287
Transfers to Other Funds	(65,000)	(65,000)	(65,560)	(560)
TOTAL OTHER FINANCING SOURCES (USES)	(65,000)	(65,000)	(21,273)	43,727
Net change in fund balance	(650,000)	(725,000)	316,690	1,041,690
Fund Balance, Beginning of Year	650,000	725,000	993,792	268,792
Fund Balance, End of Year	\$ -	\$ -	\$ 1,310,482	\$ 1,310,482

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

SIERRA GRANDE SCHOOL DISTRICT R-30
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0400640145%	0.0397991235%	0.0402431670%	0.0424451519%	0.0446345470%
District's proportionate share of the net pension liability (asset)	\$ 12,955,278	\$ 11,849,738	\$ 6,154,908	\$ 5,752,744	\$ 5,693,124
District's covered payroll	\$ 1,848,104	\$ 1,785,504	\$ 1,752,228	\$ 1,778,071	\$ 1,781,788
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	701%	664%	351%	324%	320%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	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 for 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.

SIERRA GRANDE SCHOOL DISTRICT R-30
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA SCHDTF PENSION PLAN

For the Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 374,314	\$ 328,881	\$ 313,647	\$ 298,670	\$ 287,379	\$ 263,689	\$ 241,589	\$ 214,619	\$ 210,218	\$ 198,225
Contributions in relation to the contractually required contribution	(374,314)	(328,881)	(313,647)	(298,670)	(287,379)	(263,689)	(241,589)	(214,619)	(210,218)	(198,225)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,980,948	\$ 1,788,649	\$ 1,767,531	\$ 1,768,375	\$ 1,797,673	\$ 1,756,162	\$ 1,650,356	\$ 1,615,550	\$ 1,696,716	\$ 1,725,464
Contributions as a percentage of covered payroll	18.90%	18.39%	17.74%	16.89%	15.99%	15.02%	14.64%	13.28%	12.39%	11.49%

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.

SIERRA GRANDE SCHOOL DISTRICT R-30
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
COLORADO PERA HEALTH CARE TRUST FUND
For the Years Ended June 30

	2018	2017
District's proportion of the net OPEB liability	0.0227641992%	0.0226222727%
District's proportionate share of the net OPEB liability (asset)	\$ 295,844	\$ 293,305
District's covered payroll	\$ 1,848,104	\$ 1,785,504
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	17.53%	20.07%

*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 for which information is available.

Notes to Required Supplementary Information:

There have not been any changes to benefit terms

There have not been any changes in assumptions

SIERRA GRANDE SCHOOL DISTRICT R-30
SCHEDULE OF DISTRICT CONTRIBUTIONS
COLORADO PERA HEALTH CARE TRUST FUND

For the Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 20,206	\$ 18,244	\$ 18,029	\$ 18,038	\$ 18,336	\$ 17,913	\$ 16,834	\$ 16,479	\$ 17,307	\$ 17,600
Contributions in relation to the contractually required contribution	(20,206)	(18,244)	(18,029)	(18,038)	(18,336)	(17,913)	(16,834)	(16,479)	(17,307)	(17,600)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,980,948	\$ 1,788,649	\$ 1,767,531	\$ 1,768,375	\$ 1,797,673	\$ 1,756,162	\$ 1,650,356	\$ 1,615,550	\$ 1,696,716	\$ 1,725,464
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 to benefit terms
There have not been any changes in assumptions

SIERRA GRANDE SCHOOL DISTRICT R-30

SUPPLEMENTARY INFORMATION

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

**SIERRA GRANDE SCHOOL DISTRICT R-30
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.

Food Service Fund – This fund is used to account for the operations of the school breakfast and lunch programs. Revenues are derived from District contributions and student and adult charges.

Governmental Designated Purpose Grants Fund – This fund is used to record financial transactions for grants received for designated programs funded by federal, state, or local governments.

Student Activity Fund – This fund is 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 revenue from pupils, gate receipts, and other fundraising activities.

SIERRA GRANDE SCHOOL DISTRICT R-30
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2018

	SPECIAL REVENUE FUNDS			
	GOVERNMENTAL			
	FOOD SERVICE FUND	DESIGNATED PURPOSE GRANTS FUND	STUDENT ACTIVITY FUND	TOTAL NONMAJOR GOVERNMENTAL
	FUND	GRANTS FUND	FUND	GOVERNMENTAL
ASSETS				
Cash and Cash Equivalents	\$ 1,493	\$ 10,008	\$ 11,363	\$ 22,864
Due From Other Governments	51,174	3,817	-	54,991
Inventory	4,957	-	-	4,957
TOTAL ASSETS	\$ 57,624	\$ 13,825	\$ 11,363	\$ 82,812
LIABILITIES				
Accounts Payable	\$ 4,474	\$ -	\$ -	\$ 4,474
Accrued Salaries and Benefits	14,285	-	-	14,285
Unearned Grant Revenue	-	13,825	-	13,825
TOTAL LIABILITIES	18,759	13,825	-	32,584
FUND BALANCE				
Nonspendable	4,957	-	-	4,957
Committed				
Pupil Activities	-	-	11,363	11,363
Food Service	33,908	-	-	33,908
TOTAL FUND BALANCE	38,865	-	11,363	50,228
TOTAL LIABILITIES AND FUND BALANCE	\$ 57,624	\$ 13,825	\$ 11,363	\$ 82,812

SIERRA GRANDE SCHOOL DISTRICT R-30
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2018

	SPECIAL REVENUE FUNDS			
	GOVERNMENTAL			
	DESIGNATED			
	FOOD SERVICE FUND	PURPOSE GRANTS FUND	STUDENT ACTIVITY FUND	TOTAL NONMAJOR GOVERNMENTAL
REVENUES				
Local Sources	\$ 29,421	\$ -	\$ 43,039	\$ 72,460
State Sources	1,340	60,006	-	61,346
Federal Sources	221,244	13,687	-	234,931
TOTAL REVENUES	252,005	73,693	43,039	368,737
EXPENDITURES				
Instructional Program	-	63,978	61,873	125,851
Instructional Staff Support Services	-	12,815	-	12,815
Food Services	299,249	-	-	299,249
TOTAL EXPENDITURES	299,249	76,793	61,873	437,915
Excess (deficiency) of revenues over expenditures	(47,244)	(3,100)	(18,834)	(69,178)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	45,000	560	20,000	65,560
Transfers to Other Funds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	45,000	560	20,000	65,560
Net Change in Fund Balance	(2,244)	(2,540)	1,166	(3,618)
Fund Balance, Beginning of Year	41,109	2,540	10,197	53,846
Fund Balance, End of Year	\$ 38,865	\$ -	\$ 11,363	\$ 50,228

SIERRA GRANDE SCHOOL DISTRICT R-30
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</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Local Sources	\$ 41,050	\$ 41,050	\$ 29,421	\$ (11,629)
State Sources	2,500	2,500	1,340	(1,160)
Federal Sources	153,920	178,920	221,244	42,324
TOTAL REVENUES	<u>197,470</u>	<u>222,470</u>	<u>252,005</u>	<u>29,535</u>
EXPENDITURES				
Food Services				
Salaries	79,660	104,660	97,637	7,023
Fringe Benefits	34,300	34,300	39,512	(5,212)
Purchased Services	2,850	2,850	2,324	526
Food, Commodities, and Supplies	136,060	163,610	158,889	4,721
Other Purchased Services	5,250	5,250	887	4,363
TOTAL EXPENDITURES	<u>258,120</u>	<u>310,670</u>	<u>299,249</u>	<u>11,421</u>
Excess (deficiency) of revenues over expenditures	<u>(60,650)</u>	<u>(88,200)</u>	<u>(47,244)</u>	<u>40,956</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	45,000	45,000	45,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Net change in fund balance	(15,650)	(43,200)	(2,244)	40,956
Fund Balance, Beginning of Year	<u>15,650</u>	<u>43,200</u>	<u>41,109</u>	<u>(2,091)</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,865</u>	<u>\$ 38,865</u>

SIERRA GRANDE SCHOOL DISTRICT R-30
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
State Sources	\$ 7,200	\$ 42,720	\$ 60,006	\$ 17,286
Federal Sources	21,517	21,517	13,687	(7,830)
TOTAL REVENUES	<u>28,717</u>	<u>64,237</u>	<u>73,693</u>	<u>9,456</u>
EXPENDITURES				
Instructional Program	7,925	45,238	63,978	(18,740)
Instructional Staff Support Services	23,497	21,539	12,815	8,724
TOTAL EXPENDITURES	<u>31,422</u>	<u>66,777</u>	<u>76,793</u>	<u>(10,016)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,705)</u>	<u>(2,540)</u>	<u>(3,100)</u>	<u>(560)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	560	560
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>560</u>	<u>560</u>
Net change in fund balance	(2,705)	(2,540)	(2,540)	-
Fund Balance, Beginning of Year	<u>2,705</u>	<u>2,540</u>	<u>2,540</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SIERRA GRANDE SCHOOL DISTRICT R-30
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
STUDENT ACTIVITY FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Local Sources				
Student Athletics and Activities	\$ 47,000	\$ 67,000	\$ 42,950	\$ (24,050)
Interest on Investments	100	100	89	(11)
TOTAL REVENUES	47,100	67,100	43,039	(24,061)
EXPENDITURES				
Instructional Program	72,100	92,100	61,873	30,227
TOTAL EXPENDITURES	72,100	92,100	61,873	30,227
Excess (deficiency) of revenues over expenditures	(25,000)	(25,000)	(18,834)	6,166
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	20,000	20,000	20,000	-
Transfer to Other Funds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	20,000	20,000	20,000	-
Net change in fund balance	(5,000)	(5,000)	1,166	6,166
Fund Balance, Beginning of Year	5,000	5,000	10,197	5,197
Fund Balance, End of Year	\$ -	\$ -	\$ 11,363	\$ 11,363

SIERRA GRANDE SCHOOL DISTRICT R-30

CDE COMPLIANCE SECTION

**REPORT ON COMPLIANCE WITH CDE-FINANCIAL
POLICIES AND PROCEDURES MANUAL**



**Wall,
Smith,
Bateman Inc.**

To the Board of Education
Sierra Grande School District R-30
Blanca, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sierra Grande School District R-30 (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 March 14, 2019.

In connection with our audit, the following 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 did not post all required financial information on their website, in a downloadable format, for free public access in accordance with the "Public School Finance Transparency Act". In addition, the District's expenditures in the Governmental Designated Purpose Grants Fund exceeded budgeted appropriations by \$10,016. 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

March 14, 2019

Certified Public Accountants



Colorado Department of Education
Auditors Integrity Report
 District: 0740 - SIERRA GRANDE R-30
 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	993,792		3,697,327		3,390,710		1,300,408
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	0		257,600		247,526		10,074
Sub- Total	993,792		3,954,927		3,638,236		1,310,482
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	41,109		297,005		299,249		38,865
22 Govt Designated-Purpose Grants Fund	2,540		74,253		76,793		0
23 Pupil Activity Special Revenue Fund	10,197		63,039		61,873		11,363
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	0		0		0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	0		0		0		0
46 Supplemental Cap Const. Tech, Main Fund	0		0		0		0
Totals	1,047,638		4,365,224		4,076,151		1,360,711
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60,65-69 Other Internal Service Funds	0		0		0		0
Totals	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	61,042		57,361		70,090		48,314
79 GASB 34/Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	61,042		57,361		70,090		48,314

FINAL