

Strasburg School District 31J
Strasburg, Colorado

Financial Statements

June 30, 2018



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Strasburg School District 31J

Table of Contents

June 30, 2018

| | |
|---|----|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis | i |
| Basic Financial Statements | |
| <i>Government-wide Financial Statements</i> | |
| Statement of Net Position | 3 |
| Statement of Activities | 4 |
| <i>Governmental Funds</i> | |
| Balance Sheet | 5 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 6 |
| Statement of Revenues, Expenditures and Changes in Fund Balances..... | 7 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 8 |
| <i>Agency Fund</i> | |
| Statement of Fiduciary Assets and Liabilities | 9 |
| <i>Notes to Financial Statements</i> | 10 |
| Required Supplementary Information | |
| Schedule of Proportionate Share of the net OPEB Liability and Contributions..... | 30 |
| Budgetary Comparison Schedule – General Fund | 32 |
| Notes to Required Supplementary Information..... | 34 |
| Supplementary Information | |
| Combining Statements – Nonmajor Governmental Funds | |
| Combining Balance Sheet | 35 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances..... | 36 |
| Budgetary Comparison Schedules | |
| Budgetary Comparison Schedule – Food Service | 37 |
| Budgetary Comparison Schedule – Building Fund | 38 |
| Budgetary Comparison Schedule – Prairie Creeks Charter District Fund | 39 |
| Budgetary Comparison Schedule – Bond Redemption Fund | 40 |
| Statement of Changes in Assets and Liabilities – Agency Fund..... | 41 |
| Compliance Section | |
| Auditors Integrity Report | 42 |



**HINKLE &
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Independent Auditors' Report

Board of Education
Strasburg District 31J
Strasburg, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Strasburg District 31J as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Strasburg District 31J, 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Strasburg District 31J 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial statements as of and for the year ended June 30, 2017, have been restated to correct misstatements. 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 and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Strasburg District 31J's basic financial statements. The supplementary information and the auditors integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Greenwood Village, Colorado
December 19, 2018



June 30, 2018

This is a Management Discussion and Analysis (MD&A) for Strasburg School District 31J. It offers the reader management’s perspective of the financial activities of Strasburg School District 31J for the year ended June 30, 2018.

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

Financial Highlights

- In government-wide activities the District’s net position totaled (\$10,911,568) at the end of the 2018 fiscal year and (\$6,294,946, as restated. See Note 10) at the end of the 2017 fiscal year. The net position includes the pension liability of \$30,975,844 applied under the GASB 68 standards. Without the pension liability the net position would be \$20,064,276.
- Total assets in the governmental funds (General, Bond Redemption, & Non-major Governmental Funds) were \$6,154,911; total liabilities and deferred inflows were \$964,978, resulting in an ending fund balance of \$6,154,911.
- The ending fund balance of the General Fund was 3,547,627 at June 2018 and 2,922,458 at June 30, 2017. The General Fund portion maintained a fund balance of 39.8% of the total General Fund budget well within the 15% required by Board policy DG.

Overview of the Financial Statements

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

- 1) Government-wide financial statements
- 2) Fund Financial Statements
- 3) Notes to financial statements

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information about all the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The reader should consider the impact of the pension liability when examining the net position.

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

Government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include instruction, instructional support, general and school administration, business and central services, maintenance and operations, and transportation. The business-type activity also includes food services which is funded in part from fees, federal funds administered by the state, and supplemented by General funds.

Fund Financial Statements

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

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

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

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

Supplementary Information: In addition to the financial statements and accompanying notes, the District's financial statements also contain more detailed financial information and other supplementary information concerning the District's non-major governmental funds.

Financial Analysis of The Governmental Funds: The focus of the District's governmental funds is to provide information on balances of available (spendable) resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful tool in measuring the District's net resources available for spending at the end of the fiscal year. The District's

unassigned fund balance in the General Fund was \$3,267,627 at June 30, 2018 compared to 2,650,458 at June 30, 2017.

Financial Analysis of the District as a Whole

The District's total net position on June 30, 2018 was (\$10,911,568). Of the District's \$19,150,430 in total assets, \$12,995,519 reflects investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. The long term debt on June 30, 2018 was \$6,100,994. Current debt (due within one year) was \$660,000.

| Statement of Net Position | 2018 | 2017 |
|-------------------------------|---------------------|--------------------|
| Assets | | |
| Current and Other Assets | 6,154,911 | 5,484,459 |
| Capital Assets | 12,995,519 | 13,425,088 |
| Total Assets | 19,150,430 | 18,909,547 |
| Deferred Outflows | 11,011,731 | 10,142,308 |
| Liabilities | | |
| Current and Other Liabilities | 939,722 | 804,967 |
| * Non-Current Liabilities | 37,784,149 | 31,662,391 |
| Total Liabilities | 38,723,871 | 32,467,358 |
| Deferred Inflows | 2,349,858 | 2,328,904 |
| Net Position | | |
| Invested in Capital Assets | 7,156,651 | 6,936,625 |
| Restricted for: | | |
| Debt Service | 1,532,758 | 1,517,894 |
| Emergencies | 280,000 | 278,400 |
| Unrestricted | (19,880,977) | (14,477,326) |
| Total Net Position | (10,911,568) | (5,744,407) |

**Pension Liability 30,975,844

| Statement of Activities | 2018 | 2017 |
|--------------------------|--------------|-------------|
| Revenues | | |
| Charges for Services | 367,882 | 387,327 |
| Grants and Contributions | 916,544 | 876,318 |
| Property Taxes | 3,779,912 | 3,641,281 |
| Specific Ownership Taxes | 339,821 | 317,885 |
| State Equalization | 4,695,825 | 4,561,069 |
| Per Pupil Revenue | 191,334 | 212,809 |
| Other Revenues | 75,949 | 144,962 |
| Total Revenues | 10,367,267 | 10,141,651 |
| Expenses | | |
| Instruction | 8,702,505 | 7,255,077 |
| Supporting Services | 6,124,079 | 5,134,990 |
| Interest | 157,305 | 174,966 |
| Total Expenses | 14,983,889 | 12,565,033 |
| Change in Net Position | (4,616,622) | (2,423,382) |
| Net Position, Beginning | (6,294,946) | (3,321,025) |
| Net Position, Ending | (10,911,568) | (5,744,407) |

Note: 2017 information has not been restated because prior year information is unavailable.

Financial Analysis of the District's Funds

The General Fund is the major operating fund of the District. During the current fiscal year, fund balance increased by \$625,169 from \$2,922,458 to \$3,547,627.

The Bond Redemption Fund accounts for property taxes restricted for the payment of general obligation debt, and had an ending fund balance at June 30, 2018, of \$1,537,702.

General Fund Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund. For the year ended June 30, 2018, actual expenditures of \$8,426,001 were less than budgeted expenditures by \$396,241

The District must maintain an emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). On June 30, 2018, the General Fund TABOR reserve amounted to \$280,000.

Capital Asset and Debt Administration

Capital assets. The District's capital assets as of June 30, 2018, totaled \$12,995,519. More information on the District's capital assets can be found in Note 3 to the financial statements.

Long-term debt. As of June 30, 2018, the District had general obligation bonds payable of \$6,100,994. Bond proceeds were used to construct a new middle school and improve other District facilities. More information on the District's long-term debt can be found in Note 4 to the financial statements.

Economic Factors

The local, state, and federal economies are performing very well. This has resulted in an increase in the District's assessed property value, which increased 4% from 2016 to 2017; despite a reduction in the residential assessment rate currently at 7.20%. Due to requirements of the Colorado State Constitution's Gallagher Amendment, passed in 1982 – which mandates a consistent ratio between residential and non-residential property, the residential assessment rate is likely to continue to decline. This will result in more revenue needed from the state to fund local school districts.

Although the District has maintained a relatively consistent student count, the impact of the State imposed negative factor, now called the Budget Stabilization Factor (BSF) decreased the revenue by an aggregate of nearly \$7,000,000. Due to the BSF the District has deferred maintenance, delayed the purchase of replacement buses, limited employee raises, and lengthened the cycle for replacement of technology and curriculum.

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

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

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Strasburg School District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

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

Basic Financial Statements

Strasburg School District 31J
Statement of Net Position
June 30, 2018

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and Investments | \$ 5,837,040 |
| Accounts Receivable | 151,805 |
| Grants Receivable | 28,713 |
| Taxes Receivable | 131,557 |
| Inventories | 5,796 |
| Capital Assets, <i>Not Being Depreciated</i> | 796,786 |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | <u>12,198,733</u> |
| Total Assets | <u>19,150,430</u> |
| Deferred Outflows of Resources | |
| Loss on Debt Refunding, <i>Net of Accumulated Amortization</i> | 240,912 |
| OPEB, <i>Net of Accumulated Amortization</i> | 139,232 |
| Pensions, <i>Net of Accumulated Amortization</i> | <u>10,631,587</u> |
| Total Deferred Outflows of Resources | <u>11,011,731</u> |
| Liabilities | |
| Accounts Payable | 118,714 |
| Accrued Salaries and Benefits | 767,052 |
| Unearned Revenues | 40,912 |
| Accrued Interest Payable | 13,044 |
| Noncurrent Liabilities | |
| Due Within One Year | 660,000 |
| Due in More Than One Year | 5,440,994 |
| Net OPEB Liability | 707,311 |
| Net Pension Liability | <u>30,975,844</u> |
| Total Liabilities | <u>38,723,871</u> |
| Deferred Inflows of Resources | |
| OPEB, <i>Net of Accumulated Amortization</i> | 11,833 |
| Pensions, <i>Net of Accumulated Amortization</i> | <u>2,338,025</u> |
| Total Deferred Inflows of Resources | <u>2,349,858</u> |
| Net Position | |
| Net Investment in Capital Assets | 7,156,651 |
| Restricted for: | |
| Restricted for Debt Service | 1,532,758 |
| Restricted for Emergencies | 280,000 |
| Unrestricted | <u>(19,880,977)</u> |
| Total Net Position | <u>\$ (10,911,568)</u> |

See Notes to the financial Statements.

Strasburg School District 31J
Statement of Activities
Year Ended June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Change in Net Position |
|---|---------------|-------------------------|--|---|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| <i>Governmental Activities</i> | | | | |
| Instruction | \$ 8,702,505 | \$ 193,775 | \$ 668,151 | \$ (7,840,579) |
| Supporting Services | 5,692,551 | - | 115,066 | (5,577,485) |
| Food Service | 431,528 | 174,107 | 130,247 | (127,174) |
| Interest on Long-Term Debt | 157,305 | - | - | (157,305) |
| Total Governmental Activities | \$ 14,983,889 | \$ 367,882 | \$ 913,464 | (13,702,543) |
| General Revenues | | | | |
| Local Property Taxes | | | | 3,779,912 |
| Specific Ownership Taxes | | | | 339,821 |
| State Equalization | | | | 4,695,825 |
| Per Pupil Revenue | | | | 191,334 |
| Grants and Contributions not Restricted to Specific Programs | | | | 3,080 |
| Investment Income | | | | 25,300 |
| Other | | | | 50,649 |
| Total General Revenues | | | | 9,085,921 |
| | | | | Change in Net Position (4,616,622) |
| | | | | Net Position, Beginning of year (6,294,946) |
| | | | | Net Position, End of year \$ (10,911,568) |

Strasburg School District 31J
Balance Sheet
Governmental Funds
June 30, 2018

| | General | Bond Redemption | Nonmajor Governmental Funds | Total |
|--|--------------|--------------------|-----------------------------------|--------------|
| Assets | | | | |
| Cash and Investments | \$ 4,170,815 | \$ 1,518,898 | \$ 147,327 | \$ 5,837,040 |
| Accounts Receivable | 151,805 | - | - | 151,805 |
| Grants Receivable | 28,713 | - | - | 28,713 |
| Taxes Receivable | 104,653 | 26,904 | - | 131,557 |
| Inventories | - | - | 5,796 | 5,796 |
| | - | - | 5,796 | 5,796 |
| Total Assets | \$ 4,455,986 | \$ 1,545,802 | \$ 153,123 | \$ 6,154,911 |
| Liabilities | | | | |
| Accounts Payable | \$ 118,714 | \$ - | \$ - | \$ 118,714 |
| Accrued Salaries and Benefits | 730,120 | - | 36,932 | 767,052 |
| Unearned Revenues | 29,325 | - | 11,587 | 40,912 |
| | 29,325 | - | 11,587 | 40,912 |
| Total Liabilities | 878,159 | - | 48,519 | 926,678 |
| Deferred Inflows of Resources | | | | |
| Property Taxes | 30,200 | 8,100 | - | 38,300 |
| | 30,200 | 8,100 | - | 38,300 |
| Fund Balances | | | | |
| Nonspendable Inventories | - | - | 5,796 | 5,796 |
| Restricted for: | | | | |
| Debt Service | - | 1,537,702 | - | 1,537,702 |
| Emergencies | 280,000 | - | - | 280,000 |
| Committed to Prairie Creeks Charter School | | | - | - |
| Assigned to: | | | | |
| Assigned to Food Service | - | - | 6,794 | 6,794 |
| Assigned to Capital Projects | - | - | 92,014 | 92,014 |
| Unassigned | 3,267,627 | - | - | 3,267,627 |
| | 3,267,627 | - | - | 3,267,627 |
| Total Fund Balances | 3,547,627 | 1,537,702 | 104,604 | 5,189,933 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 4,455,986 | \$ 1,545,802 | \$ 153,123 | \$ 6,154,911 |

Strasburg School District 31J
 Reconciliation of the Balance Sheet of Governmental
 Funds to the Statement of Net Position
 Year Ended June 30, 2018

**Amounts Reported for Governmental Activities in the
 Statement of Net Position are Different Because:**

| | | |
|--|----|----------------------------|
| Total Fund Balances of Governmental Funds | \$ | 5,189,933 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. | | 12,995,519 |
| Long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes earned but not available as current financial resources. | | 38,300 |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds: | | |
| Loss on debt refunding | | 240,912 |
| Accrued interest payable | | (13,044) |
| Bonds payable | | (6,079,780) |
| Accrued compensated absences | | (21,214) |
| Net pension liability | | (30,975,844) |
| Pension-related deferred outflows of resources | | 10,631,587 |
| Pension-related deferred inflows of resources | | (2,338,025) |
| Net OPEB liability | | (707,311) |
| OPEB-related deferred outflows of resources | | 139,232 |
| OPEB-related deferred inflows of resources | | <u>(11,833)</u> |
| Total Net Position of Governmental Activities | \$ | <u><u>(10,911,568)</u></u> |

Strasburg School District 31J
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

| | General | Bond Redemption | Nonmajor Governmental Funds | Total |
|---|---------------------|---------------------|-----------------------------------|---------------------|
| Revenues | | | | |
| Local Sources | \$ 3,859,914 | \$ 822,564 | \$ 365,486 | \$ 5,047,964 |
| County Sources | 399 | - | - | 399 |
| State Sources | 5,190,857 | - | 5,414 | 5,196,271 |
| Federal Sources | - | - | 124,833 | 124,833 |
| | <u>9,051,170</u> | <u>822,564</u> | <u>495,733</u> | <u>10,369,467</u> |
| Expenditures | | | | |
| Current | | | | |
| Instruction | 4,928,944 | - | 200,633 | 5,129,577 |
| Supporting Services | 3,497,057 | - | 88,099 | 3,585,156 |
| Food Service | - | - | 309,937 | 309,937 |
| Debt Service | | | | |
| Principal | - | 645,000 | - | 645,000 |
| Interest and Fiscal Charges | - | 162,975 | - | 162,975 |
| | <u>8,426,001</u> | <u>807,975</u> | <u>598,669</u> | <u>9,832,645</u> |
| Net Change in Fund Balances | 625,169 | 14,589 | (102,936) | 536,822 |
| Fund Balances, Beginning of year | <u>2,922,458</u> | <u>1,523,113</u> | <u>207,540</u> | <u>4,653,111</u> |
| Fund Balances, End of year | <u>\$ 3,547,627</u> | <u>\$ 1,537,702</u> | <u>\$ 104,604</u> | <u>\$ 5,189,933</u> |

Strasburg School District 31J
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year Ended June 30, 2018

**Amounts Reported for Governmental Activities in the
 Statement of Activities are Different Because:**

| | | |
|--|----|-------------|
| Net Change in Fund Balances of Governmental Funds | \$ | 536,822 |
| <p>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:</p> | | |
| Depreciation expense | | (483,932) |
| Capital outlay | | 54,363 |
| <p>Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents the change in deferred property taxes.</p> | | |
| | | (2,200) |
| <p>The repayment of long-term debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities.</p> | | |
| | | 645,000 |
| <p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This is the effect of these differences in the treatment of long-term debt and related items:</p> | | |
| Amortization of bond premiums | | 34,709 |
| Amortization of loss of debt refunding | | (30,114) |
| <p>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 governmental funds. This includes the changes in the following:</p> | | |
| Accrued interest payable | | 1,075 |
| Accrued compensated absences | | (2,938) |
| Net pension liability | | (6,091,218) |
| Pension-related deferred outflows of resources | | 760,305 |
| Pension-related deferred inflows of resources | | (9,121) |
| Net OPEB liability | | (130,901) |
| OPEB-related deferred outflows of resources | | 113,361 |
| OPEB-related deferred inflows of resources | | (11,833) |
| | | (4,616,622) |
| Change in Net Position | \$ | (4,616,622) |

Strasburg School District 31J
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018

| | <u>Student Activity</u> |
|-----------------------|-----------------------------|
| Assets | |
| Cash and Investments | \$ <u>153,093</u> |
| Total Assets | \$ <u><u>153,093</u></u> |
| Liabilities | |
| Due to Student Groups | \$ <u>153,093</u> |
| Total Liabilities | \$ <u><u>153,093</u></u> |

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Strasburg District 31J (the District) conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the District's more significant policies.

Reporting Entity

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District.

All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. The District administers and operates the Prairie Creeks Charter District, which is presented as a separate fund in the financial statements.

Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the District. Based upon the application of this criteria, no additional organizations are included in the District's reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these financial statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental funds and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the fund financial statements, the District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *Bond Redemption Fund* accounts for property taxes restricted for the payment of general obligation debt issued by the District.

Additionally, the District reports the following fund type:

The *Agency Fund* is used to account for resources used to support student activities. The District holds all resources in a purely custodial capacity.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

When both restricted and unrestricted resources are available for a specific use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balances/Net Position

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied for the current year but not received at year end are reported as taxes receivable and are presented net of an allowance for uncollectible taxes.

Inventories – Food Service Fund inventories are recorded as an asset when individual items are purchased and as an expenditure when consumed. Inventories are stated at average cost, and consist of purchased and donated commodities. Purchased inventories are recorded at cost. Donated inventories, received at no cost under a program supported by the federal government, are valued at the cost furnished by the federal government.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

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

| | |
|----------------------------|---------------|
| Buildings and Improvements | 20 – 50 years |
| Transportation Vehicles | 8 years |
| Equipment | 3 – 20 years |

Accrued Salaries and Benefits – Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a District year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

Deferred Inflows of Resources – Deferred inflows of resources in the governmental fund financial statements include property taxes earned but not available as current financial resources.

Unearned Revenues – Unearned revenues represent resources received by the District before it has a legal claim to them, including student fees.

Strasburg School District 31J
Notes to the Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balances/Net Position (Continued)

Long-Term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Debt issuance costs are reported as current expenses or expenditures.

Compensated Absences – Employees are allowed to accumulate unused vacation or paid leave, depending on employment classification. Accumulated vacation leave is forfeited if not used by December 30 of the following fiscal year. Paid leave may be accumulated up to 480 hours. Hours accumulated in excess of 480 will be paid to employees annually in June at \$30 per each 8 hours. Accrued vacation and paid leave up to 480 hours is paid to eligible employees upon termination of employment.

These compensated absences are recognized as expenditures in the governmental funds when due. A long-term liability is reported in the government-wide financial statements for the accrued compensated absences when earned.

Pensions – The District participates in the District Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan 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 and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

Postemployment Benefits Other Than Pensions (OPEB) – The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan 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 and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

Strasburg School District 31J
Notes to the Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balances/Net Position (Continued)

Net Position/Fund Balances – In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. In the fund financial statements, governmental funds report committed fund balances when the Board of Education formally commits resources for a specific purpose through passage of a resolution, or to the extent that existing resources will be used to satisfy contractual obligations. In addition, the Board of Education may assign fund balances to a specific purpose through an informal action.

The District has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the District uses restricted fund balance first, followed by committed, assigned and unassigned balances.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full on April 30, or in two installments on February 28 and June 15. The County Treasurer’s Office collects property taxes and remits to the District on a monthly basis. When taxes become delinquent, the property is sold on the tax sale date.

Note 2: Cash and Investments

At June 30, 2018, the District had the following cash and investments:

| | |
|-------------|---------------------|
| Deposits | \$ 3,423,181 |
| Investments | <u>2,566,952</u> |
| Total | <u>\$ 5,990,133</u> |

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

| | |
|-------------------------------------|---------------------|
| Cash and Investments | \$ 5,837,040 |
| Fiduciary Fund Cash and Investments | <u>153,093</u> |
| Total | <u>\$ 5,990,133</u> |

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 2: Cash and Investments (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2018, the District had bank deposits of \$3,004,526 collateralized with securities held by the financial institutions' agents but not in the District's name.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

Interest Rate Risk – State statutes generally limit investments to an original maturity of five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk – State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk – State statutes do not limit the amount the District may invest in a single issuer of investment securities, except for corporate securities.

Strasburg School District 31J
Notes to the Financial Statements
June 30, 2018

Note 2: Cash and Investments (Continued)

Investments (Continued)

Local Government Investment Pool – At June 30, 2018, the District had \$2,566,952 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission’s Rule 2a-7. Colotrust is measured at the net asset value per share, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor’s. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian’s internal records identify the investments owned by the participating governments.

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2018, is summarized below.

| | Balance 6/30/17 | Additions | Deletions | Balance 6/30/18 |
|--|----------------------------|------------------|------------------|----------------------------|
| Governmental Activities | | | | |
| <i>Capital Assets, Not Being Depreciated</i> | | | | |
| Land | \$ 796,786 | \$ - | \$ - | \$ 796,786 |
| Total Capital Assets, Not Being Depreciated | 796,786 | - | - | 796,786 |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Buildings and Improvements | 20,129,547 | - | - | 20,129,547 |
| Transportation Vehicles | 1,053,403 | | | 1,053,403 |
| Equipment | 1,249,749 | 54,363 | - | 1,304,112 |
| Total Capital Assets, Being Depreciated | 22,432,699 | 54,363 | - | 22,487,062 |
| <i>Less Accumulated Depreciation</i> | | | | |
| Buildings and Improvements | (7,830,108) | (413,277) | - | (8,243,385) |
| Transportation Vehicles | (1,023,250) | (8,908) | | (1,032,158) |
| Equipment | (951,039) | (61,747) | - | (1,012,786) |
| | (9,804,397) | (483,932) | - | (10,288,329) |
| Total Capital Assets, Being Depreciated, net | 12,628,302 | (429,569) | - | 12,198,733 |
| Governmental Activities Capital Assets, net | \$ 13,425,088 | \$ (429,569) | \$ - | \$ 12,995,519 |

Depreciation expense was charged to the supporting services program of the District.

Strasburg School District 31J
Notes to the Financial Statements
June 30, 2018

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2018.

| | <u>Balance 6/30/17</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/18</u> | <u>Due Within One Year</u> |
|--------------------------------|----------------------------|----------------------|-----------------------|----------------------------|--------------------------------|
| Governmental Activities | | | | | |
| 2012 GO Bonds | \$ 5,035,000 | \$ - | \$ 275,000 | \$ 4,760,000 | \$ 280,000 |
| 2012 Bond Premium | 124,389 | - | 17,537 | 106,852 | |
| 2014 GO Bonds | 1,540,000 | - | 370,000 | 1,170,000 | 380,000 |
| 2014 Bond Premium | 60,100 | - | 17,172 | 42,928 | |
| Compensated Absences | 18,276 | 10,613 | 7,675 | 21,214 | |
| Total | <u>\$ 6,777,765</u> | <u>\$ 10,613</u> | <u>\$ 687,384</u> | <u>\$ 6,100,994</u> | <u>\$ 660,000</u> |

Compensated absences are expected to be liquidated primarily with revenues of the General Fund.

General Obligation Bonds

\$5,990,000 General Obligation Refunding Bonds, Series 2012, were issued to refund the outstanding General Obligation Bonds, Series 2006, originally issued to construct, furnish and equip a new middle District. Interest accrues on the outstanding balance of the bonds at rates ranging from 2% to 3% per annum, and is payable semi-annually on June 1 and December 1. Principal payments are due annually on December 1, through 2025.

\$2,265,000 General Obligation Refunding Bonds, Series 2014, were issued to refund the outstanding General Obligation Refunding Bonds, Series 2005. Interest accrues on the outstanding balance of the bonds at rates ranging from 2% to 3% per annum, and is payable semi-annually on June 1 and December 1. Principal payments are due annually on December 1, through 2020.

Bond payments to maturity are as follows.

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|-------------------------|-----------------------|-------------------------|
| 2019 | \$ 660,000 | \$ 149,450 | \$ 809,450 |
| 2020 | 675,000 | 133,675 | 808,675 |
| 2012 | 700,000 | 115,225 | 815,225 |
| 2022 | 740,000 | 96,225 | 836,225 |
| 2023 | 760,000 | 77,475 | 837,475 |
| 2024 - 2027 | <u>2,395,000</u> | <u>107,188</u> | <u>2,502,188</u> |
| Total | <u>\$ 5,930,000</u> | <u>\$ 679,238</u> | <u>\$ 6,609,238</u> |

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 5: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Colorado District Districts Self Insurance Pool for all risks of loss except workers compensation, for which it utilizes a commercial insurance carrier.

Colorado District Districts Self Insurance Pool

The Colorado District Districts Self Insurance Pool (CSDSIP) operates as a self-insurance pool comprised of various District districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by a governing board. The District pays an annual premium to the CSDSIP for various types of property and liability insurance coverage. The CSDSIP's agreement provides that the CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP.

Note 6: Jointly Governed Organization

The District, in conjunction with other surrounding districts, created the East Central Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. The District paid \$173,982 to the BOCES during the year ended June 30, 2018. The BOCES' financial statements are available at www.ecboces.org.

Note 7: Defined Benefit Pension Plan

General Information

Plan Description – The District contributes to the District Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the District participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Benefits Provided – The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary over three years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions – The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The District's contribution rate for calendar years 2017 and 2018 was 19.65% and 20.15% of covered salaries, respectively. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). The District's contributions to the SDTF for the year ended June 30, 2018, were \$882,500, equal to the required contributions.

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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 net pension liability of \$30,975,844 representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at 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 the District's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.0957923578%, which was an increase of 0.0122136074% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The District's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$13,994,618.

For the year ended June 30, 2018, the District recognized pension expense of \$6,210,439. 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 |
|--|---|--|
| Differences between expected and actual experience | \$ 569,514 | \$ - |
| Changes of assumptions and other inputs | 7,909,283 | 50,192 |
| Net difference between projected and actual earnings on plan investments | - | 1,216,451 |
| Changes in proportion | 1,629,669 | 1,071,382 |
| Contributions subsequent to the measurement date | 523,121 | - |
| Total | <u>\$ 10,631,587</u> | <u>\$ 2,338,025</u> |

District contributions subsequent to the measurement date of \$523,121 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

Year Ended June 30,

| | | |
|------|----|------------------|
| 2019 | \$ | 4,774,687 |
| 2020 | | 3,150,721 |
| 2021 | | 302,665 |
| 2022 | | <u>(457,632)</u> |
| | \$ | <u>7,770,441</u> |

Actuarial Assumptions – The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

| | |
|---|-------------|
| Price inflation | 2.4% |
| Real wage growth | 1.1% |
| Wage inflation | 3.5% |
| Salary increases, including wage inflation | 3.5% - 9.7% |
| Long-term investment rate of return, net of plan investment expenses, including price inflation | 7.25% |
| Discount rate ¹ | 5.26% |
| Post-retirement benefit increases: | |
| Hired prior to 1/1/2007 | 2.0% |
| Hired after 12/31/2006 | ad hoc |

¹The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. 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 were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

| <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% |
| | <u>100.00%</u> | |

Discount Rate – The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2017, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

| | 1% Decrease (3.78%) | Current Discount Rate (4.78%) | 1% Increase (5.78%) |
|---|--------------------------------|--|--------------------------------|
| Proportionate share of the net pension liability | \$ 39,127,759 | \$ 30,975,844 | \$ 24,332,964 |

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Note 8: Postemployment Healthcare Benefits

General Information

Plan Description – All employees of the District are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Benefits Provided – The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

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, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

Contributions – As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the District's contributions to the District Division Trust Fund (SDTF) (See Note 7) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The District's apportionment to the HCTF for the year ended June 30, 2018, was \$45,240, equal to the required amount.

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 net OPEB liability of \$707,311, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at 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 the District's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.0544253020%, which was an increase of 0.0099675291% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$76,446. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 3,345 | \$ - |
| Net difference between projected and actual earnings on plan investments | - | 11,833 |
| Changes in proportion | 108,012 | - |
| Contributions subsequent to the measurement date | 27,875 | - |
| Total | \$ 139,232 | \$ 11,833 |

District contributions subsequent to the measurement date of \$27,875 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,

| | |
|------|-----------|
| 2019 | \$ 18,919 |
| 2020 | 18,919 |
| 2021 | 18,919 |
| 2022 | 18,919 |
| 2023 | 21,878 |
| 2024 | 1,970 |
| | \$ 99,524 |

Actuarial Assumptions – The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

| | |
|---|-------|
| Price inflation | 2.4% |
| Real wage growth | 1.1% |
| Wage inflation | 3.5% |
| Salary increases, including wage inflation | 3.5% |
| Long-term investment rate of return, net of plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Health care cost trend rates: | |
| Service-based premium subsidy | 0.0% |
| Medicare plans | 5.0% |
| Medicare Part A premiums: | |
| 3% for 2017, gradually rising to 4.25% in 2023 | |

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. 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 were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

The long-term expected rate of return on the HCTF investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

Strasburg School District 31J

Notes to the Financial Statements

June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 7.

Discount Rate – The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the District's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|--------------------------------|--|--------------------------------|
| Proportionate share of the net OPEB liability | \$ 795,240 | \$ 707,311 | \$ 632,261 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the District's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the District's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|--|--------------------|---|--------------------|
| Proportionate share of the net OPEB liability | \$ 687,850 | \$ 707,311 | \$ 730,751 |

OPEB Plan Fiduciary Net Position – Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Strasburg School District 31J
Notes to the Financial Statements
June 30, 2018

Note 9: Commitments and Contingencies

Claims and Judgments

The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2018, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

Litigation

The District is involved in threatened and pending litigation. The outcome of this litigation is uncertain but management believes the outcome of any litigation will not have a significant impact on the District's financial position.

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. In November, 1997, the District's electorate authorized the District to retain, appropriate, and utilize the full proceeds and revenues received from every source whatever, without limitation, in 1997 and all subsequent years, notwithstanding any limitation of the Amendment, provided, however, that no local tax rate or property tax mill levy shall be increased at any time, nor shall any new tax be imposed, without prior consent of the voters. The Amendment is subject to many interpretations, but management believes the District is in substantial compliance with its requirements.

In accordance with the Amendment, the District has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2018, the emergency reserve was reported as restricted fund balance in the General Fund in the amount of \$280,000.

Note 10: Change in Accounting Principle

For the year ended June 30, 2018, the District adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position of the governmental activities at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Strasburg School District 31J
Notes to the Financial Statements
June 30, 2018

Note 10: Change in Accounting Principle (Continued)

Certain balances of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2017, were not available and have not been reported in the financial statements.

| | Governmental Activities |
|--|------------------------------------|
| Net Position, June 30, 2017, <i>as Originally Stated</i> | \$ (5,744,407) |
| Deferred Outflows of Resources | 25,871 |
| Net OPEB Liability | (576,410) |
| Net Position, June 30, 2017, <i>as Restated</i> | \$ (6,294,946) |

Required Supplementary Information

Strasburg School District 31J
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Contributions
Public Employees' Retirement Association of Colorado School Division Trust Fund
June 30, 2018

| | <u>12/31/17</u> | <u>12/31/16</u> | <u>12/31/15</u> | <u>12/31/14</u> | <u>12/31/13</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Proportionate Share of the Net Pension Liability | | | | | |
| District's Proportion of the Net Pension Liability | 0.0957923578% | 0.0835787504% | 0.0990600957% | 0.1056157693% | 0.1101698061% |
| District's Proportionate Share of the Net Pension Liability | \$ 30,975,844 | \$ 24,884,626 | \$ 15,150,542 | \$ 14,314,484 | \$ 14,052,129 |
| District's Covered Payroll | \$ 4,418,500 | \$ 4,477,714 | \$ 4,426,714 | \$ 4,424,541 | \$ 4,441,295 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 701% | 556% | 342% | 324% | 316% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 44% | 43% | 59% | 63% | 64% |
| District Contributions | | | | | |
| Statutorily Required Contribution | \$ 836,192 | \$ 809,220 | \$ 791,419 | \$ 749,264 | \$ 707,299 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(836,192)</u> | <u>(809,220)</u> | <u>(791,419)</u> | <u>(749,264)</u> | <u>(707,299)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered Payroll | \$ 4,435,220 | \$ 4,399,925 | \$ 4,462,335 | \$ 4,438,370 | \$ 4,426,180 |
| Contributions as a Percentage of Covered Payroll | 18.85% | 18.39% | 17.74% | 16.88% | 15.98% |

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Strasburg School District 31J
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado Health Care Trust Fund

| | 12/31/17 |
|--|-----------------|
| Proportionate Share of the Net OPEB Liability | |
| District's Proportion of the Net OPEB Liability | 0.0544253020% |
| District's Proportionate Share of the Net OPEB Liability | \$ 707,311 |
| District's Covered-Employee Payroll | \$ 4,418,500 |
| District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll | 16% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 18% |
| | |
| District's Contributions | |
| Statutorily Required Contribution | \$ 45,240 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(45,240)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> |
| District's Covered-Employee Payroll | \$ 4,435,220 |
| Contributions as a Percentage of Covered-Employee Payroll | 1.02% |

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Strasburg School District 31J
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2018

| | Original and Final Budget | Actual | Variance <i>Positive</i> <i>(Negative)</i> |
|----------------------------|---------------------------------|---------------------|--|
| Revenues | | | |
| <i>Local Sources</i> | | | |
| Property Taxes | \$ 3,083,150 | \$ 2,968,019 | \$ (115,131) |
| Specific Ownership Taxes | 218,757 | 339,821 | 121,064 |
| Tuition and Fees | 151,700 | 193,775 | 42,075 |
| Investment Income | 6,000 | 16,784 | 10,784 |
| BOCES Reimbursement | 220,565 | 290,866 | 70,301 |
| Other | 213,988 | 50,649 | (163,339) |
| Total Local Sources | <u>3,894,160</u> | <u>3,859,914</u> | <u>(34,246)</u> |
| <i>County Sources</i> | - | 399 | 399 |
| <i>State Sources</i> | | | |
| State Equalization | 4,468,554 | 4,695,825 | 227,271 |
| Additional At-Risk Funding | - | 2,681 | 2,681 |
| Transportation | 70,000 | 104,307 | 34,307 |
| Grants | 389,528 | 388,044 | (1,484) |
| Total State Sources | <u>4,928,082</u> | <u>5,190,857</u> | <u>262,775</u> |
| Total Revenues | <u>8,822,242</u> | <u>9,051,170</u> | <u>228,928</u> |
| Expenditures | | | |
| <i>Instruction</i> | | | |
| Salaries | 3,507,813 | 3,056,850 | 450,963 |
| Employee Benefits | 1,217,376 | 1,006,395 | 210,981 |
| Purchased Services | 429,534 | 479,915 | (50,381) |
| Supplies and Materials | 182,480 | 275,745 | (93,265) |
| Property | 3,600 | 66,186 | (62,586) |
| Other | 63,759 | 43,853 | 19,906 |
| Total Instruction | <u>5,404,562</u> | <u>4,928,944</u> | <u>475,618</u> |
| <i>Supporting Services</i> | | | |
| Salaries | 1,023,148 | 1,440,012 | (416,864) |
| Employee Benefits | 365,873 | 487,176 | (121,303) |
| Purchased Services | 1,248,000 | 924,638 | 323,362 |
| Supplies and Materials | 84,000 | 545,808 | (461,808) |
| Property | 154,000 | 34,244 | 119,756 |
| Other | 542,659 | 65,179 | 477,480 |
| Total Supporting Services | <u>3,417,680</u> | <u>3,497,057</u> | <u>(79,377)</u> |
| Total Expenditures | <u>\$ 8,822,242</u> | <u>\$ 8,426,001</u> | <u>\$ 396,241</u> |

(Continued)

Strasburg School District 31J
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2018
 (Continued)

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|---------------------------------|---------------------|------------------------------------|
| Net Change in Fund Balance | \$ - | \$ 625,169 | \$ 625,169 |
| Fund Balance, Beginning of year | <u>2,549,007</u> | <u>2,922,458</u> | <u>373,451</u> |
| Fund Balance, End of year | <u>\$ 2,549,007</u> | <u>\$ 3,547,627</u> | <u>\$ 998,620</u> |

Strasburg School District 31J
Notes to Required Supplementary Information
June 30, 2018

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado (PERA) District Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The District's contributions and related ratios represent cash contributions and any related accruals that coincide with the District's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2016. The following revised economic and demographic assumptions were effective as of December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The District adheres to the following procedures to establish the budgetary information reported in the financial statements.

- Management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All budget appropriations lapse at fiscal year end.

Legal Compliance

For the year ended June 30, 2018, the Prairie Creeks Charter School Fund expenditures exceeded the amounts budgeted by \$57,460. This may be a violation of State statutes.

Supplementary Information

Compliance Section

Strasburg School District 31J
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

| | Food Service | Building | Prairie Creeks | Total |
|--|--------------|-----------|----------------|------------|
| Assets | | | | |
| Cash and Investments | \$ 38,541 | \$ 92,014 | \$ 16,772 | \$ 147,327 |
| Inventories | 5,796 | - | - | 5,796 |
| Total Assets | \$ 44,337 | \$ 92,014 | \$ 16,772 | \$ 153,123 |
| Liabilities and Fund Balances | | | | |
| <i>Liabilities</i> | | | | |
| Accrued Salaries and Benefits | \$ 20,160 | \$ - | \$ 16,772 | \$ 36,932 |
| Unearned Revenues | 11,587 | - | - | 11,587 |
| Total Liabilities | 31,747 | - | 16,772 | 48,519 |
| <i>Fund Balances</i> | | | | |
| Nonspendable Inventories | 5,796 | - | - | 5,796 |
| Restricted for Emergencies | - | - | - | - |
| Committed to Prairie Creeks Charter School | - | - | - | - |
| Assigned to: | | | | |
| Food Service | 6,794 | - | - | 6,794 |
| Capital Projects | - | 92,014 | - | 92,014 |
| Total Fund Balances | 12,590 | 92,014 | - | 104,604 |
| Total Liabilities and Fund Balances | \$ 44,337 | \$ 92,014 | \$ 16,772 | \$ 153,123 |

Strasburg School District 31J
Combining Statement of Revenue, Expenditures and Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018

| | Food Service | Building | Prairie Creeks | Total |
|---|------------------|------------------|----------------|-------------------|
| Revenues | | | | |
| Local Sources | \$ 174,107 | \$ 45 | \$ 191,334 | \$ 365,486 |
| State Sources | 5,414 | - | - | 5,414 |
| Federal Sources | 124,833 | - | - | 124,833 |
| | <u>304,354</u> | <u>45</u> | <u>191,334</u> | <u>495,733</u> |
| Total Revenues | | | | |
| Expenditures | | | | |
| Current | | | | |
| Instruction | - | - | 200,633 | 200,633 |
| Supporting Services | - | - | 88,099 | 88,099 |
| Food Service | 309,937 | - | - | 309,937 |
| | <u>309,937</u> | <u>-</u> | <u>288,732</u> | <u>598,669</u> |
| Total Expenditures | | | | |
| Net Change in Fund Balance | (5,583) | 45 | (97,398) | (102,936) |
| Fund Balances, Beginning of year | <u>18,173</u> | <u>91,969</u> | <u>97,398</u> | <u>207,540</u> |
| Fund Balances, End of year | <u>\$ 12,590</u> | <u>\$ 92,014</u> | <u>\$ -</u> | <u>\$ 104,604</u> |

Strasburg School District 31J
 Budgetary Comparison Schedule
 Food Service Fund
 Year Ended June 30, 2018

| | Original and Final Budget | Actual | Variance <i>Positive</i> <i>(Negative)</i> |
|--|---------------------------------|------------|--|
| Revenues | | | |
| <i>Local Sources</i> | | | |
| Charges for Services | \$ 2,000 | \$ 174,107 | \$ 172,107 |
| <i>State Sources</i> | | | |
| Grants | 128,941 | 5,414 | (123,527) |
| <i>Federal Sources</i> | | | |
| Grants | 190,700 | 124,833 | (65,867) |
| Total Revenues | 321,641 | 304,354 | (17,287) |
| Expenditures | | | |
| Salaries | 101,518 | 105,927 | (4,409) |
| Employee Benefits | 22,123 | 23,923 | (1,800) |
| Purchased Services | 9,000 | 11,746 | (2,746) |
| Supplies and Materials | 189,000 | 168,341 | 20,659 |
| Total Expenditures | 321,641 | 309,937 | 11,704 |
| Net Change in Fund Balance | - | (5,583) | (5,583) |
| Fund Balance, Beginning of year | - | 18,173 | 18,173 |
| Fund Balance, End of year | \$ - | \$ 12,590 | \$ 12,590 |

Strasburg School District 31J
 Budgetary Comparison Schedule
 Building Fund
 Year Ended June 30, 2018

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|---------------------------------|-----------|------------------------------------|
| Revenues | | | |
| <i>Local Sources</i> | | | |
| Investment Income | \$ - | \$ 45 | \$ 45 |
| Other | 23,000 | - | (23,000) |
| Total Revenues | 23,000 | 45 | (22,955) |
| Expenditures | | | |
| Property | 23,000 | - | 23,000 |
| Total Expenditures | 23,000 | - | 23,000 |
| Net Change in Fund Balance | - | 45 | 45 |
| Fund Balance, Beginning of year | 90,549 | 91,969 | 1,420 |
| Fund Balance, End of year | \$ 90,549 | \$ 92,014 | \$ 1,465 |

Strasburg School District 31J
 Budgetary Comparison Schedule
 Prairie Creeks Charter School Fund
 Year Ended June 30, 2018

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|--|--------------------|---|
| Revenues | | | |
| <i>Local Sources</i> | | | |
| Per Pupil Revenue | \$ 235,333 | \$ 191,334 | \$ (43,999) |
| Expenditures | | | |
| <i>Instruction</i> | | | |
| Salaries | 72,448 | 74,949 | (2,501) |
| Employee Benefits | 28,209 | 28,745 | (536) |
| Purchased Services | 106,115 | 84,468 | 21,647 |
| Supplies and Materials | 7,000 | 11,643 | (4,643) |
| Property | 17,500 | 828 | 16,672 |
| Other | - | - | - |
| Total Instruction | <u>231,272</u> | <u>200,633</u> | <u>30,639</u> |
| <i>Supporting Services</i> | | | |
| Purchased Services | <u>-</u> | <u>88,099</u> | <u>(88,099)</u> |
| Total Expenditures | <u>231,272</u> | <u>288,732</u> | <u>(57,460)</u> |
| Net Change in Fund Balance | 4,061 | (97,398) | (101,459) |
| Fund Balance, Beginning of year | <u>75,515</u> | <u>97,398</u> | <u>21,883</u> |
| Fund Balance, End of year | <u><u>\$ 79,576</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (79,576)</u></u> |

Strasburg School District 31J
 Budgetary Comparison Schedule
 Bond Redemption Fund
 Year Ended June 30, 2018

| | Original and Final Budget | Actual | Variance <i>Positive</i> <i>(Negative)</i> |
|--|---------------------------------|--------------|--|
| Revenues | | | |
| <i>Local Sources</i> | | | |
| Property Taxes | \$ 814,490 | \$ 814,093 | \$ (397) |
| Investment Income | - | 8,471 | 8,471 |
| | 814,490 | 822,564 | 8,074 |
| Expenditures | | | |
| <i>Debt Service</i> | | | |
| Principal | 645,000 | 645,000 | - |
| Interest and Fiscal Charges | 169,425 | 162,975 | 6,450 |
| | 814,425 | 807,975 | 6,450 |
| Net Change in Fund Balance | 65 | 14,589 | 14,524 |
| Fund Balance, Beginning of year | 1,520,725 | 1,523,113 | 2,388 |
| Fund Balance, End of year | \$ 1,520,790 | \$ 1,537,702 | \$ 16,912 |

Strasburg School District 31J
Statement of Changes in Assets and Liabilities
Agency Fund
June 30, 2018

| Student Activity Fund | Balances 6/30/17 | Additions | Deductions | Balances 6/30/17 |
|------------------------------|---------------------|-------------------|-------------------|---------------------|
| Assets | | | | |
| Cash and Investments | \$ 158,438 | \$ 255,280 | \$ 260,625 | \$ 153,093 |
| Total Assets | <u>\$ 158,438</u> | <u>\$ 255,280</u> | <u>\$ 260,625</u> | <u>\$ 153,093</u> |
| Liabilities | | | | |
| Due to Student Groups | \$ 158,438 | \$ 255,280 | \$ 260,625 | \$ 153,093 |
| Total Liabilities | <u>\$ 158,438</u> | <u>\$ 255,280</u> | <u>\$ 260,625</u> | <u>\$ 153,093</u> |



Colorado Department of Education
Auditors Integrity Report
 District: 0060 - STRASBURG 31J
 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 | 2,922,458 | 9,051,169 | 8,426,001 | 3,547,626 |
| 18 Risk Mgmt Sub-Fund of General Fund | 0 | 0 | 0 | 0 |
| 19 Colorado Preschool Program Fund | 0 | 0 | 0 | 0 |
| Sub- Total | 2,922,458 | 9,051,169 | 8,426,001 | 3,547,626 |
| 11 Charter School Fund | 0 | 0 | 0 | 0 |
| 20,26-29 Special Revenue Fund | 97,398 | 191,334 | 288,732 | 0 |
| 06 Supplemental Cap Const, Tech, Main. Fund | 0 | 0 | 0 | 0 |
| 21 Food Service Spec Revenue Fund | 18,173 | 304,355 | 309,937 | 12,591 |
| 22 Govt Designated-Purpose Grants Fund | 0 | 0 | 0 | 0 |
| 23 Pupil Activity Special Revenue Fund | 0 | 0 | 0 | 0 |
| 24 Full Day Kindergarten Mill Levy Override | 0 | 0 | 0 | 0 |
| 25 Transportation Fund | 0 | 0 | 0 | 0 |
| 31 Bond Redemption Fund | 1,523,113 | 822,564 | 807,975 | 1,537,703 |
| 39 Certificate of Participation (COP) Debt Service Fund | 0 | 0 | 0 | 0 |
| 41 Building Fund | 91,969 | 45 | 0 | 92,015 |
| 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 | 4,653,112 | 10,369,467 | 9,832,644 | 5,189,934 |
| 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 | 158,438 | 255,280 | 260,625 | 153,093 |
| 79 GASB 34:Permanent Fund | 0 | 0 | 0 | 0 |
| 85 Foundations | 0 | 0 | 0 | 0 |
| Totals | 158,438 | 255,280 | 260,625 | 153,093 |

FINAL

12/21/18 If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your prior period adjustment is added into both your ending and beginning fund balances on this report.