

**Salida School District Number R-32-J**

Salida, Colorado

**Financial Statements**

June 30, 2019



**HINKLE &  
COMPANY**  
*Strategic* <sup>PC</sup>  
*Business Advisors*

# Salida School District Number R-32-J

## Table of Contents

June 30, 2019

<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	i
<b>Basic Financial Statements</b>	
<i>Government-wide Financial Statements</i>	
Statement of Net Position .....	4
Statement of Activities.....	5
<i>Governmental Funds</i>	
Balance Sheet.....	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	7
Statement of Revenues, Expenditures and Changes in Fund Balances .....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	9
<i>Agency Fund</i>	
Statement of Fiduciary Assets and Liabilities.....	10
<i>Notes to Financial Statements</i> .....	11
<b>Required Supplementary Information</b>	
Schedule of Proportionate Share of the Net Pension Liability and Contributions .....	33
Schedule of Proportionate Share of the Net OPEB Liability and Contributions .....	34
Budgetary Comparison Schedule – General Fund .....	35
<i>Notes to Required Supplementary Information</i> .....	36
<b>Supplementary Information</b>	
<i>Combining Financial Statements</i>	
Balance Sheet – Nonmajor Governmental Funds .....	37
Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	38
<i>Budgetary Comparison Schedules</i>	
Head Start Fund.....	39
Grants Fund .....	40
Food Service Fund.....	41
Bond Redemption Fund .....	42
Building Fund .....	43
Capital Reserve Fund .....	44
Statement of Changes in Assets and Liabilities - Agency.....	45

# Salida School District Number R-32-J

## Table of Contents

June 30, 2019

(Continued)

### Compliance Section

#### Single Audit

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	46
Independent Auditors' Report on Compliance for Each Major Federal Program, Internal Control Over Compliance, and the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	48
Schedule of Expenditures of Federal Awards .....	51
Schedule of Findings and Questioned Costs .....	52

<i>Notes to Schedule of Expenditures of Federal Awards</i> .....	53
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#### State Compliance

Auditors Integrity Report .....	54
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**HINKLE &  
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## Independent Auditors' Report

Board of Education  
Salida School District Number R-32-J  
Salida, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida School District Number R-32-J as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Salida School District Number R-32-J as of June 30, 2019, 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.

## **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 Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salida School District Number R-32-J'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.



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019, on our consideration of the Salida School District Number R-32-J's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Salida School District Number R-32-J's internal control over financial reporting and compliance.

*Hick & Company, PC*

Greenwood Village, Colorado  
November 12, 2019



# SALIDA SCHOOL DISTRICT R-32-J

## BOARD OF EDUCATION

Jennifer Visitacion, President

Joe Smith, Vice-President; Cheryl Post, Treasurer

Directors: Joel McBride, Jeannine Peters, Penny Wilken

David Blackburn, Superintendent

## Salida School District R-32-J

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2019

As management of Salida School District R-32-J (the "District") we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of District for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

### Financial Highlights

For the year ended June 30, 2019 the General Fund's fund balance decreased by \$360,967.

The General Fund operations of the District are funded primarily by tax revenue received under the State School Finance Act (the Act) in the amount of \$10,310,681 and total revenue for the year was \$13,789,453.

### Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 on all the District's assets and liabilities, with the difference between the two being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The governmental activities of the District include instruction and support services of the District.

The statement of activities presents information showing how the District's net position changed during the 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of yearend).

## ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

## ***Notes to Financial Statements***

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

## **Government-wide Financial Analysis**

For the year ended June 30, 2019 the District's net position is (\$4,232,996). The negative unrestricted net position of (\$32,067,886) is due primarily to the adoption of GASB Statement No. 68, resulting from a net pension liability of \$25,228,499, representing the District's proportionate share of PERA's net pension liability. The District's net investment in capital assets is \$24,793,611. In addition, \$53,870 is restricted for Colorado Preschool and Salida Head Start; \$1,856,514 is restricted for debt service; \$683,395 is restricted for Capital Renewal; and \$447,500 is restricted for emergencies under TABOR.

### **Statement of Net Position**

	GOVERNMENTAL ACTIVITIES	
	2017-2018	2018-2019
<b>ASSETS</b>		
Current Assets	\$ 9,407,382	\$ 8,657,178
Capital Assets, Net of Accumulated Depreciation	<u>47,141,228</u>	<u>46,148,319</u>
<b>TOTAL ASSETS</b>	<u>56,548,610</u>	<u>54,805,497</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>14,008,563</u>	<u>8,073,944</u>
<b>LIABILITIES</b>		
Current Liabilities	1,513,853	1,556,064
Noncurrent Liabilities	<u>72,399,662</u>	<u>48,594,543</u>
<b>TOTAL LIABILITIES</b>	<u>73,915,518</u>	<u>50,150,607</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>2,645,985</u>	<u>16,961,830</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	24,159,079	24,793,611
Restricted	2,883,962	3,041,279
Unrestricted	<u>-33,035,371</u>	<u>-32,067,886</u>
<b>TOTAL NET POSITION</b>	<u>\$ -6,002,330</u>	<u>\$ -4,232,996</u>

Governmental activities increased the District's net position by \$1,769,334, primarily due to PERA pension related items.

	GOVERNMENTAL ACTIVITIES	
	2017-2018	2018-2019
<b>Program revenues:</b>		
Charges for service	\$ 226,901	\$ 318,048
Operating grants & contributions	2,279,794	2,481,979
Capital Grants & contributions	470,390	0
<b>General revenues:</b>		
Property Taxes	7,147,669	7,307,274
Specific ownership taxes	952,252	1,001,629
State equalization	5,340,155	5,864,662
Other revenues	652,319	647,885
Earnings on Investments	70,817	117,963
<b>TOTAL REVENUES</b>	<u>17,140,297</u>	<u>14,939,413</u>
<b>Expenses:</b>		
Instruction	12,380,447	7,884,418
Supporting Services	9,734,725	6,724,776
Food Service	687,728	597,595
Interest and Fiscal Charges	830,291	763,317
<b>TOTAL EXPENSES</b>	<u>23,633,191</u>	<u>15,970,106</u>
<b>CHANGE IN NET POSITION</b>	(6,492,894)	1,769,334
<b>NET POSITION, Beginning</b>	<u>490,564</u>	<u>(6,002,330)</u>
<b>NET POSITION, Ending</b>	<u>\$ (6,002,330)</u>	<u>\$ (4,232,996)</u>

## Financial Analysis of the District's Funds

**Governmental funds.** The focus of District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

As of the end of the current fiscal year the District's governmental funds reported a combined ending fund balance of \$6,882,585: General Fund \$4,375,725; Bond Redemption Fund \$1,832,327; and Other Governmental Funds \$674,533. This is a decrease of \$821,741 from the previous fiscal year primarily from an increase in local and state revenues and an increase in building expenditures and salaries.

## General Fund Budgetary Highlights

General Fund revenues budgeted was \$13,248,163 and actual revenues were \$13,789,453. The District budgeted for General Fund expenditures of \$12,832,651, for the year ended June 30, 2019. Actual expenditures were \$12,645,345. The differences between the original and final budgets

were to adjust for the changes in total instructional costs net of reserves and an increase to local revenues. The District ended the year with a decrease in the fund balance of \$360,967.

### **Capital Assets**

For the year ended June 30, 2019, the District's significant capital asset activity included moving Spartan Heights from Construction In Progress to Buildings, landscaping at Longfellow, Salida High School Parking Lot, and many miscellaneous projects. Please see Note 5 in the financial statement for more information.

### **Long-Term Debt**

As of June 30, 2019, the District had total long-term debt of \$22,106,034, a decrease of \$1,449,360 from the previous year. Please see Note 6 in the financial statement for more information.

### **Economic Factors and Next Year's Budget**

The primary factor driving the budget for the District is student enrollment and growth in the District. This factor was considered in preparing the District's budget for fiscal year 2019-2020.

### **Requests for Information**

The financial report is designed to provide a general overview of the 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:  
Salida School District R-32-J, 349 East 9<sup>th</sup> Street, Salida, CO 81201.

## **Basic Financial Statements**

**Salida School District Number R-32-J**  
Statement of Net Position  
June 30, 2019

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Investments	\$ 7,988,164
Accounts Receivable	20,458
Taxes Receivable	535,724
Grants Receivable	111,332
Inventories	1,500
Property Held for Resale	-
Capital Assets, <i>Not Being Depreciated</i>	782,536
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>45,365,783</u>
Total Assets	<u>54,805,497</u>
<b>Deferred Outflows of Resources</b>	
Pensions, <i>Net of Accumulated Amortization</i>	7,908,458
OPEB, <i>Net of Accumulated Amortization</i>	<u>165,486</u>
Total Deferred Outflows of Resources	<u>8,073,944</u>
<b>Liabilities</b>	
Accounts Payable	90,917
Retainage Payable	-
Accrued Salaries and Benefits	1,400,331
Unearned Revenues	968
Accrued Interest Payable	63,848
Noncurrent Liabilities	
Due Within One Year	1,458,766
Due in More Than One Year	20,647,268
Net Pension Liability	25,228,499
Net OPEB Liability	<u>1,260,010</u>
Total Liabilities	<u>50,150,607</u>
<b>Deferred Inflows of Resources</b>	
Pensions, <i>Net of Accumulated Amortization</i>	16,946,930
OPEB, <i>Net of Accumulated Amortization</i>	<u>14,900</u>
Total Deferred Inflows of Resources	<u>16,961,830</u>
<b>Net Position</b>	
Net Investment in Capital Assets	24,793,611
Restricted for:	
Emergencies	447,500
Preschool	56,851
Capital Renewal	683,395
Debt Service	1,856,514
Head Start	(2,981)
Unrestricted	<u>(32,067,886)</u>
Total Net Position	<u>\$ (4,232,996)</u>

**Salida School District Number R-32-J**  
Statement of Activities  
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
<b>Primary Government</b>					
<i>Governmental Activities</i>					
Instruction	\$ 7,884,418	\$ 124,180	\$ 2,091,143	\$ -	\$ (5,669,095)
Supporting Services	6,724,776	31,131	174,567	-	(6,519,078)
Food Service	597,595	162,737	216,269	-	(218,589)
Interest and Fiscal Charges	<u>763,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(763,317)</u>
Total Governmental Activities	<u>\$ 15,970,106</u>	<u>\$ 318,048</u>	<u>\$ 2,481,979</u>	<u>\$ -</u>	<u>(13,170,079)</u>
<b>General Revenues</b>					
Property Taxes					7,307,274
Specific Ownership Taxes					1,001,629
State Equalization					5,864,662
Grants and Contributions not Restricted to Specific Programs					383,011
Investment Income					117,963
Other					<u>264,874</u>
Total General Revenues					<u>14,939,413</u>
<b>Change in Net Position</b>					1,769,334
<b>Net Position, Beginning of year</b>					<u>(6,002,330)</u>
<b>Net Position, End of year</b>					<u>\$ (4,232,996)</u>

**Salida School District Number R-32-J**  
 Balance Sheet  
 Governmental Funds  
 June 30, 2019

	General	Bond Redemption	Building	Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and Investments	\$ 5,054,970	\$ 1,780,624	\$ 2	\$ 1,152,568	\$ 7,988,164
Accounts Receivable	4,534	-	-	15,924	20,458
Taxes Receivable	395,986	139,738	-	-	535,724
Grants Receivable	45,061	-	-	66,271	111,332
Interfund Receivable	312,044	-	-	-	312,044
Inventories	-	-	-	1,500	1,500
Property Held for Resale	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ 5,812,595</u></b>	<b><u>\$ 1,920,362</u></b>	<b><u>\$ 2</u></b>	<b><u>\$ 1,236,263</u></b>	<b><u>\$ 8,969,222</u></b>
<b>Liabilities</b>					
Accounts Payable	\$ 30,411	\$ -	\$ -	\$ 60,506	\$ 90,917
Retainage Payable	-	-	-	-	-
Accrued Salaries and Benefits	1,206,861	-	-	193,470	1,400,331
Interfund Payables	-	-	-	312,044	312,044
Unearned Revenues	5,256	-	-	(4,288)	968
<b>Total Liabilities</b>	<b><u>1,242,528</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>561,732</u></b>	<b><u>1,804,260</u></b>
<b>Deferred Inflows of Resources</b>					
Property Taxes	194,342	88,035	-	-	282,377
<b>Fund Balances</b>					
Nonspendable:					
Inventories	-	-	-	1,500	1,500
Property Held for Resale	-	-	-	-	-
Restricted for:					
Emergencies	447,500	-	-	-	447,500
Preschool	56,851	-	-	-	56,851
Capital Renewal	-	-	-	683,395	683,395
Debt Service	-	1,832,327	-	-	1,832,327
Head Start	-	-	-	(2,981)	(2,981)
Assigned to:					
Grant Programs	-	-	-	(367,851)	(367,851)
Food Service	-	-	-	147,721	147,721
Capital Projects	-	-	-	212,747	212,747
Unrestricted, Unassigned	3,871,374	-	2	-	3,871,376
<b>Total Fund Balances</b>	<b><u>4,375,725</u></b>	<b><u>1,832,327</u></b>	<b><u>2</u></b>	<b><u>674,531</u></b>	<b><u>6,882,585</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 5,812,595</u></b>	<b><u>\$ 1,920,362</u></b>	<b><u>\$ 2</u></b>	<b><u>\$ 1,236,263</u></b>	<b><u>\$ 8,969,222</u></b>

**Salida School District Number R-32-J**  
 Reconciliation of the Balance Sheet of Governmental  
 Funds to the Statement of Net Position  
 June 30, 2019

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

Total Fund Balances of Governmental Funds	\$ 6,882,585
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	46,148,319
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.	282,377
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Accrued interest payable	(63,848)
Bonds payable	(21,653,246)
Accrued compensated absences	(298,538)
Severance	(154,250)
Net pension liability	(25,228,499)
Pension-related deferred outflows of resources	7,908,458
Pension-related deferred inflows of resources	(16,946,930)
Net OPEB liability	(1,260,010)
OPEB-related deferred outflows of resources	165,486
OPEB-related deferred inflows of resources	<u>(14,900)</u>
Total Net Position of Governmental Activities	<u>\$ (4,232,996)</u>

**Salida School District Number R-32-J**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	General	Bond Redemption	Building	Nonmajor Governmental Funds	Total
<b>Revenues</b>					
<i>Sources</i>					
Local	\$ 6,985,133	\$ 2,108,307	\$ 33	\$ 236,774	\$ 9,330,247
County	176,893	-	-	-	176,893
State	6,456,464	-	-	342,207	6,798,671
Federal	170,963	-	-	1,380,353	1,551,316
<b>Total Revenues</b>	<u>13,789,453</u>	<u>2,108,307</u>	<u>33</u>	<u>1,959,334</u>	<u>17,857,127</u>
<b>Expenditures</b>					
<i>Current</i>					
Instruction	7,283,935	-	-	798,905	8,082,840
Supporting Services	5,361,410	-	-	1,642,956	7,004,366
Food Service	-	-	-	572,207	572,207
Capital Outlay	196,261	-	14,045	753,333	963,639
Debt Service					
Principal	23,533	1,285,086	-	-	1,308,619
Interest and Fiscal Charges	-	787,197	-	-	787,197
<b>Total Expenditures</b>	<u>12,865,139</u>	<u>2,072,283</u>	<u>14,045</u>	<u>3,767,401</u>	<u>18,718,868</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>924,314</u>	<u>36,024</u>	<u>(14,012)</u>	<u>(1,808,067)</u>	<u>(861,741)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds From Sale of Assets	-	-	-	40,000	40,000
Transfers In	-	-	48,202	1,237,079	1,285,281
Transfers Out	(1,285,281)	-	-	-	(1,285,281)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,285,281)</u>	<u>-</u>	<u>48,202</u>	<u>1,277,079</u>	<u>40,000</u>
<b>Net Change in Fund Balance</b>	(360,967)	36,024	34,190	(530,988)	(821,741)
<b>Fund Balances, Beginning of year</b>	<u>4,736,692</u>	<u>1,796,303</u>	<u>(34,188)</u>	<u>1,205,519</u>	<u>7,704,326</u>
<b>Fund Balances, End of year</b>	<u>\$ 4,375,725</u>	<u>\$ 1,832,327</u>	<u>\$ 2</u>	<u>\$ 674,531</u>	<u>\$ 6,882,585</u>

**Salida School District Number R-32-J**  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2019

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

Net Change in Fund Balances of Governmental Funds	\$ (821,741)
<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	(1,321,764)
Capital outlay	328,855
<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 not available as current financial resources.</p>	
	25,733
<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>	
	1,308,619
<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	20,284
<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	3,596
Accrued compensated absences	-
Severance	66,153
Net pension liability	22,578,383
Pension-related deferred outflows of resources	(6,048,495)
Pension-related deferred inflows of resources	(14,335,365)
Net OPEB liability	(168,320)
OPEB-related deferred outflows of resources	113,876
OPEB-related deferred inflows of resources	19,520
	1,769,334
Change in Net Position of Governmental Activities	\$ <u>1,769,334</u>

**Salida School District Number R-32-J**  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2019

	<u>Pupil Activity</u>
<b>Assets</b>	
Cash and Investments	\$ <u><u>329,873</u></u>
<b>Liabilities</b>	
Held for Student Scholarships	\$ 57,605
Due to Student Groups	<u>272,268</u>
Total Liabilities	\$ <u><u>329,873</u></u>

# Salida School District Number R-32-J

## Notes to Financial Statements

June 30, 2019

### **Note 1: Summary of Significant Accounting Policies**

The accounting policies of the Salida School District Number R-32-J (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. 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 there is a potential for the organization 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*. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

# Salida School District Number R-32-J

Notes to Financial Statements

June 30, 2019

## 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 payment of the District's general obligation debt.

The *Building Fund* accounts for debt proceeds and grants used for the acquisition and construction of capital assets.

Additionally, the District reports the following fund type:

The *Agency Fund* is used to account for resources received to support each school's student activities and scholarship fundraising 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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

*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 fiscal 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.

The agency fund financial statements are reported using the accrual basis of accounting.

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.

# Salida School District Number R-32-J

## Notes to Financial Statements

June 30, 2019

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities and Net Position/Fund Balances

*Receivables* - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Inventories* - Food Service Fund inventories are recorded as an asset when individual items are purchased and as an expenditure when consumed. Inventories are valued using the first-in, first-out method, 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 based upon the cost furnished by the federal government.

*Capital Assets* - Capital assets, which include property and equipment, are reported 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 asset 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	7 - 50 years
Land Improvements	15 - 25 years
Equipment	5 - 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 school year of approximately nine to ten months. Salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

*Unearned Revenues* - Unearned revenues include grants received before eligibility requirements established by the provider have been met.

*Compensated Absences* - District employees are entitled to certain compensated absences based on their length of employment. An employee that leaves the District with a minimum of six years of service will be reimbursed for any unused sick leave at rates based on length of employment. An employee with a minimum of one year of service will be reimbursed for any unused vacation time at their current pay rate.

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

# Salida School District Number R-32-J

## Notes to Financial Statements

June 30, 2019

### Note 1: Summary of Significant Accounting Policies (Continued)

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

*Severance* - The District has agreed to pay certain severance benefits to employees. The benefits are paid over several years and are recorded as a liability in the government-wide financial statements. The amount of severance pay varies based on length of service. The severance benefit program is closed and benefit payments will cease in 2021.

*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 refunding losses are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued 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, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

*Pensions* - The District participates in the School 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.

*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.

*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. The Board of Education is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

# Salida School District Number R-32-J

## Notes to Financial Statements

June 30, 2019

### Note 1: Summary of Significant Accounting Policies (Continued)

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

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.

#### 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 carries commercial insurance for these risks of loss.

#### Subsequent Events

We have evaluated subsequent events through November 12, 2019, the date the financial statements were available to be issued.

### Note 2: Cash and Investments

At June 30, 2019, the District had the following cash and investments:

Cash	\$	125
Deposits		1,439,516
Investments		<u>6,878,396</u>
Total	\$	<u><u>8,318,037</u></u>

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

Cash and Investments	\$	7,988,164
Fiduciary Fund Cash and Investments		<u>329,873</u>
Total	\$	<u><u>8,318,037</u></u>

## Salida School District Number R-32-J

### Notes to Financial Statements

June 30, 2019

#### **Note 2: Cash and Investments (Continued)**

##### **Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all 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, 2019, the District had bank deposits of \$1,311,748 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 the maturity of investment securities to 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.

# Salida School District Number R-32-J

## Notes to Financial Statements

June 30, 2019

### Note 2: Cash and Investments (Continued)

#### Investments (Continued)

*Local Government Investment Pools* - At June 30, 2019, the District had \$146,513 and \$6,731,883 invested in the Colorado Local Government Liquid Asset Trust (Colostrust) and the Colorado Surplus Asset Fund Trust (CSAFE), respectively. The pools are investment vehicles 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 the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The pools are measured at the net asset value per share, with each share valued at \$1. The pools are rated AAAM by Standard and Poor's. Investments of the pools 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: Property Held for Resale

The District purchased land and is constructing multi-family housing in connection with the District's building trades program. The carrying value of the property at June 30, 2018, was \$184,631, which approximates fair value. This property was sold by June 30, 2019.

### Note 4: Interfund Balances and Transactions

#### Interfund Balances

At June 30, 2019, the General Fund temporarily subsidized the negative cash balance of the Grants Fund in the amount of \$277,592.

#### Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Total</u>
Head Start	General Fund	\$ 240,640
Food Service	General Fund	190,000
Building Fund	General Fund	48,202
Capital Reserve	General Fund	806,439
Total		<u>\$ 1,285,281</u>

The General Fund provided a portion of its property taxes to the Head Start Fund to improve salaries and benefits for those educational programs. Annually, the General Fund subsidizes the operations of the Food Service Fund and finances capital purchases through transfers to the Capital Reserve Fund. In addition, the General Fund financed capital purchases in the Building Fund.

**Salida School District Number R-32-J**  
Notes to Financial Statements  
June 30, 2019

**Note 5: Capital Assets**

Activity for capital assets during the year ended June 30, 2019, was as follows.

	<b>Balance 6/30/18</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/19</b>
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated</i>				
Land and Sites	\$ 776,030	\$ -	\$ -	\$ 776,030
Construction in Progress	673,447	-	(666,941)	6,506
<b>Total Capital Assets, Not Being Depreciated</b>	<b>1,449,477</b>	<b>-</b>	<b>(666,941)</b>	<b>782,536</b>
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	54,475,720	666,941	-	55,142,661
Land Improvements	482,453	166,059	-	648,512
Transportation Equipment	1,144,171	108,889	-	1,253,060
Other Equipment	975,094	53,907	-	1,029,001
<b>Total Capital Assets, Being Depreciated</b>	<b>57,077,438</b>	<b>995,796</b>	<b>-</b>	<b>58,073,234</b>
<i>Less Accumulated Depreciation</i>				
Buildings and Improvements	(10,114,679)	(1,152,829)	-	(11,267,508)
Land Improvements	(155,789)	(49,672)	-	(205,461)
Transportation Equipment	(472,952)	(60,995)	-	(533,947)
Other Equipment	(642,267)	(58,268)	-	(700,535)
<b>Total Accumulated Depreciation</b>	<b>(11,385,687)</b>	<b>(1,321,764)</b>	<b>-</b>	<b>(12,707,451)</b>
<b>Total Capital Assets, Being Depreciated, net</b>	<b>45,691,751</b>	<b>(325,968)</b>	<b>-</b>	<b>45,365,783</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 47,141,228</b>	<b>\$ (325,968)</b>	<b>\$ (666,941)</b>	<b>\$ 46,148,319</b>

Depreciation expense was charged to programs of the District as follows:

Instruction	\$ 5,359
Supporting Services	1,314,042
Food Services	2,363
<b>Total</b>	<b>\$ 1,321,764</b>

## Salida School District Number R-32-J

### Notes to Financial Statements

June 30, 2019

#### Note 6: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2019.

Governmental Activities	Balance 6/30/18	Additions	Payments	Balance 6/30/19	Due Within One Year
2012 GO Bonds	\$ 9,470,000	\$ -	\$ (495,000)	\$ 8,975,000	\$ 505,000
2012 Bond Premium	283,970	-	(20,284)	263,686	-
2010 GO Debt	13,204,646	-	(790,086)	12,414,560	822,337
Note Payable	23,533	-	(23,533)	-	-
Compensated Absences	298,538	54,304	(54,304)	298,538	54,304
Severance	220,403	-	(66,153)	154,250	77,125
<b>Total</b>	<b>\$ 23,501,090</b>	<b>\$ 54,304</b>	<b>\$ (1,449,360)</b>	<b>\$ 22,106,034</b>	<b>\$ 1,458,766</b>

#### General Obligation Debt

In December 2012, the District issued \$9,590,000 General Obligation Bonds, Series 2012, to finance construction of a new elementary school. In addition, the District received grant funding of up to \$4,094,712 under the State of Colorado's Building Excellent Schools Today (BEST) program. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2% to 4% per annum. Principal payments are due annually on December 1, from 2018 through 2033.

In December 2010, the State of Colorado issued Taxable Qualified School Construction Certificates of Participation, Series 2010D. A portion of the proceeds, in the amount of \$17,961,801, were provided to the District under site lease and sublease agreements to construct a new high school and renovate the existing middle school. In addition, the District was awarded grant funding of \$13,206,780 under the BEST program. Under the sublease agreement, the District is required to make semi-annual base rent payments to the State of Colorado, including interest accruing at 4.082% per annum, through December 1, 2030.

In September 2004, the District issued \$5,070,000 General Obligation Refunding Bonds to refund a portion of the 1998 General Obligation Bonds, which were issued to finance the construction of a new middle school. Interest payments were due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 3% to 4% per annum. Principal payments were due annually on December 1, through 2018. During the year ended June 30, 2018, the bonds were paid in full.

# Salida School District Number R-32-J

## Notes to Financial Statements

June 30, 2019

### Note 6: Long-Term Debt (Continued)

#### General Obligation Debt (Continued)

Payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,327,337	\$ 744,288	\$ 2,071,625
2021	1,370,905	698,548	2,069,453
2022	1,420,843	649,834	2,070,677
2023	1,472,207	599,290	2,071,497
2024	1,520,056	546,920	2,066,976
2025 - 2029	8,449,346	1,878,704	10,328,050
2030 - 2034	<u>5,828,866</u>	<u>416,455</u>	<u>6,245,321</u>
Total	<u>\$ 21,389,560</u>	<u>\$ 5,534,039</u>	<u>\$ 26,923,599</u>

#### Note Payable

In May, 2018, the District entered into a noninterest bearing loan agreement in an amount not to exceed \$278,500 to finance the construction of apartments. The loan matured on November 16, 2018.

#### Compensated Absences and Severance

Payments to maturity for the severance obligation are as follows:

<u>Year Ended June 30,</u>	
2020	\$ 77,125
2021	<u>77,125</u>
Total	<u>\$ 154,250</u>

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

The District, in conjunction with other surrounding districts, created the Mountain 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. During the year ended June 30, 2019, the District contributed \$98,040 to the BOCES. The BOCES financial statements can be obtained at their administrative office located at 1713 Mount Lincoln Drive West, Leadville, Colorado 80461.

## Salida School District Number R-32-J

### Notes to Financial Statements

June 30, 2019

#### **Note 7: Defined Benefit Pension Plan**

##### **General Information**

*Plan Description* - The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by (PERA). All employees of the District participate in the SDTF. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available financial report (CAFR) that includes information on the SDTF that may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*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 under which the member retires, the benefit option selected at retirement, and age at retirement. The lifetime 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 eligible amounts as of 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 with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2018, retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, retirees under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5% or the average consumer price index for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

# Salida School District Number R-32-J

## Notes to Financial Statements

June 30, 2019

### Note 7: Defined Benefit Pension Plan (Continued)

#### General Information (Continued)

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 under which service credit was obtained, and the qualified survivor who will receive the benefits.

*Contributions* - The District, eligible employees and the State are required to contribute to the SDTF at a rate set by Colorado statute. These contribution requirements are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The contribution rate for eligible employees is 8% of covered salaries during the period of July 1, 2018 through June 30, 2019. The District's contribution rate for calendar years 2019 and 2018 was 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 6).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SDTF. The District's contributions to the SDTF for the year ended June 30, 2019, were \$1,556,310, equal to the required contributions.

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

At June 30, 2019, the District reported a net pension liability of \$25,228,499, representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

School's proportionate share of net pension liability	\$ 28,678,153
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	<u>(3,449,654)</u>
Proportionate share of the net pension liability	<u>\$ 25,228,499</u>

The net pension liability was measured at December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018.

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, 2018, relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was 0.1424771094%, which was a decrease of 0.0053649951% from its proportion measured at December 31, 2017.

## Salida School District Number R-32-J

### Notes to Financial Statements

June 30, 2019

#### 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 Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SDTF are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates for the SDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

During the year ended June 30, 2019, the direct distribution for the SDTF was \$126,505,000.

For the year ended June 30, 2019, the District recognized pension benefit of \$580,950 which included \$204,886 of support from the state as a nonemployer contributing entity. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 855,775	\$ -
Changes of assumptions and other inputs	4,709,007	15,689,412
Net difference between projected and actual earnings on plan investments	1,375,111	-
Changes in proportion	-	1,257,518
Contributions subsequent to the measurement date	968,565	-
	\$ 7,908,458	\$ 16,946,930
Total	\$ 7,908,458	\$ 16,946,930

## Salida School District Number R-32-J

### Notes to Financial Statements

June 30, 2019

#### 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)

District contributions subsequent to the measurement date of \$968,565 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:

<u>Year Ended June 30,</u>		
2019	\$	(1,596,998)
2020		(5,496,699)
2021		(3,665,552)
2022		<u>752,212</u>
 Total	 \$	 <u>(10,007,037)</u>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2017, 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 <sup>1</sup>	5.26%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	0% through 2019 and 1.5%
Hired after 12/31/2006	ad hoc

<sup>1</sup>The 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, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments, adjusted as follows:

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

## Salida School District Number R-32-J

Notes to Financial Statements

June 30, 2019

### 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)

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

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

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

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

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

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

## Salida School District Number R-32-J

Notes to Financial Statements

June 30, 2019

### 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)

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

## Salida School District Number R-32-J

Notes to Financial Statements

June 30, 2019

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

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be 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:

	<b>1% Decrease (3.78%)</b>	<b>Current Discount Rate (4.78%)</b>	<b>1% Increase (5.78%)</b>
Proportionate share of the net pension liability	\$ <u>32,073,720</u>	\$ <u>25,228,499</u>	\$ <u>19,848,203</u>

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

## Salida School District Number R-32-J

### Notes to Financial Statements

June 30, 2019

#### **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 5) 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, 2019, was \$82,981, 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, 2019, the District reported a net OPEB liability of \$1,260,010, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018.

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, 2018, relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was 0.09126109159%, which was an increase of 0.0086089263% from its proportion measured at December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$118,498.

## Salida School District Number R-32-J

### Notes to Financial Statements

June 30, 2019

#### Note 8: Postemployment Healthcare Benefits (Continued)

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

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,574	\$ 1,918
Changes of assumptions and other inputs	8,839	-
Net difference between projected and actual earnings on plan investments	7,246	-
Changes in proportion	93,358	12,982
Contributions subsequent to the measurement date	51,469	-
<b>Total</b>	<b>\$ 165,486</b>	<b>\$ 14,900</b>

District contributions subsequent to the measurement date of \$51,469 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:

<u>Year Ended June 30,</u>			
2019		\$	18,394
2020			18,394
2021			18,394
2022			23,428
2023			19,712
2024			795
<b>Total</b>		<b>\$</b>	<b>99,117</b>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2017, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

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 2018, gradually rising to 5.00% in 2025	

## Salida School District Number R-32-J

Notes to Financial Statements

June 30, 2019

### Note 8: Postemployment Healthcare Benefits (Continued)

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

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, 2017 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.

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 (see 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.

## Salida School District Number R-32-J

Notes to Financial Statements

June 30, 2019

### Note 8: Postemployment Healthcare Benefits (Continued)

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

*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:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate share of the net OPEB liability	\$ 1,409,842	\$ 1,260,010	\$ 1,131,918

*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:

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Proportionate share of the net OPEB liability	\$ 1,170,457	\$ 1,260,010	\$ 1,243,456

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

### Note 9: Commitments and Contingencies

#### **Claims and Judgments**

The District participates in a number of federal and state 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, 2019, 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.

## Salida School District Number R-32-J

Notes to Financial Statements

June 30, 2019

### **Note 9: Commitments and Contingencies (Continued)**

#### **Capital Renewal Reserve**

The District was awarded two Building Excellent Schools Today (BEST) grants from the State of Colorado to construct and improve school buildings. In accordance with the related State statutes, the District is required to establish a capital renewal reserve for the purpose of replacing major facility systems such as roofs, interior finishes, electrical systems and heating, ventilating, and air conditioning systems. At a minimum, the District must contribute \$100 per pupil in the impacted facilities annually to the capital renewal reserve. At June 30, 2019, the reserve was reported as restricted fund balance in the Capital Reserve Fund, in the amount of \$683,395.

#### **TABOR Amendment**

In November 1992, voters passed an amendment to the Colorado Constitution, Article X, Section 20, which limits state and local government taxing powers and imposes spending limitations. In November, 1998, electors within the District authorized the District to collect, retain and/or expend all revenues lawfully received by the District from any source during fiscal year 1998-99 and each year thereafter without regard to the limitations and conditions under Article X, Section 20, of the Colorado Constitution or any other law.

The amendment is subject to many interpretations, but the District believes it is in substantial compliance with the amendment. In accordance with the amendment, the District has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2019, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$447,500.

## **Required Supplementary Information**

**Salida School District Number R-32-J**  
 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, 2019

	<u>12/31/18</u>	<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>
<b>Proportionate Share of the Net Pension Liability</b>						
District's Proportion of the Net Pension Liability	0.1424771094%	0.1504065926%	0.1504065926%	0.1554713240%	0.1560696455%	0.1600700181%
District's Proportionate Share of the Net Pension Liability	\$ 25,228,499	\$ 47,806,882	\$ 44,781,859	\$ 23,778,241	\$ 21,152,679	\$ 20,416,888
District's Covered-Employee Payroll	\$ 7,736,800	\$ 6,819,674	\$ 6,750,516	\$ 6,775,403	\$ 6,538,195	\$ 6,452,933
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	326%	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57%	44%	43%	59%	63%	64%
	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
<b>District Contributions</b>						
Statutorily Required Contribution	\$ 1,556,310	\$ 1,331,472	\$ 1,244,517	\$ 1,193,136	\$ 1,138,738	\$ 1,030,687
Contributions in Relation to the Statutorily Required Contribution	<u>(1,556,310)</u>	<u>(1,331,472)</u>	<u>(1,244,517)</u>	<u>(1,193,136)</u>	<u>(1,138,738)</u>	<u>(1,030,687)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 8,037,025	\$ 7,048,875	\$ 6,769,979	\$ 6,727,654	\$ 6,741,745	\$ 6,448,488
Contributions as a Percentage of Covered-Employee Payroll	19.36%	18.89%	18.38%	17.73%	16.89%	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.

**Salida School District R-31-J**  
 Required Supplementary Information  
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions  
 Public Employees' Retirement Association of Colorado Health Care Trust Fund  
 June 30, 2019

	12/31/18	12/31/17
<b>Proportionate Share of the Net OPEB Liability</b>		
District's Proportion of the Net OPEB Liability	0.0926109159%	0.0840019896%
District's Proportionate Share of the Net OPEB Liability	\$ 1,409,842	\$ 1,091,690
District's Covered Payroll	\$ 7,736,800	\$ 6,819,674
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	18%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17%	18%
	6/30/19	6/30/18
<b>District's Contributions</b>		
Statutorily Required Contribution	\$ 82,981	\$ 71,899
Contributions in Relation to the Statutorily Required Contribution	<u>(82,981)</u>	<u>(71,899)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 8,037,025	\$ 7,048,875
Contributions as a Percentage of Covered Payroll	1.03%	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.

**Salida School District Number R-32-J**  
**Budgetary Comparison Schedule**  
**General Fund**  
**June 30, 2019**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Local Sources				
Property Taxes	\$ 4,961,258	\$ 5,233,140	\$ 5,199,239	\$ (33,901)
Specific Ownership Taxes	900,000	900,000	1,001,629	101,629
Transportation Fees	-	-	31,131	31,131
Tuition	-	-	124,180	124,180
Investment Income	44,325	50,975	89,618	38,643
BOCES Reimbursement	431,257	404,984	384,795	(20,189)
Other	137,915	241,506	154,541	(86,965)
Total Local Sources	<u>6,474,755</u>	<u>6,830,605</u>	<u>6,985,133</u>	<u>154,528</u>
County Sources	<u>56,500</u>	<u>56,500</u>	<u>176,893</u>	<u>120,393</u>
State Sources				
State Equalization	5,849,183	5,777,067	5,864,662	87,595
Transportation	103,097	113,514	42,157	(71,357)
Grants	369,533	389,655	549,645	159,990
Total State Sources	<u>6,321,813</u>	<u>6,280,236</u>	<u>6,456,464</u>	<u>176,228</u>
Federal Sources				
Medicaid	<u>278,500</u>	<u>80,822</u>	<u>170,963</u>	<u>90,141</u>
Total Revenues	<u>13,131,568</u>	<u>13,248,163</u>	<u>13,789,453</u>	<u>541,290</u>
<b>Expenditures</b>				
Instruction	6,560,850	7,031,645	7,283,935	(252,290)
Supporting Services				
Students	462,884	522,070	510,683	11,387
Instructional Staff	545,775	554,892	584,650	(29,758)
General Administration	1,233,753	1,091,556	751,056	340,500
School Administration	741,326	763,014	712,703	50,311
Business Services	315,129	340,130	372,413	(32,283)
Operations and Maintenance	1,228,199	1,264,225	1,273,086	(8,861)
Student Transportation	379,306	379,526	358,663	20,863
Central Support	513,333	772,399	658,812	113,587
Other Support	113,194	113,194	139,344	(26,150)
Reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>12,093,749</u>	<u>12,832,651</u>	<u>12,645,345</u>	<u>187,306</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>1,037,819</u>	<u>415,512</u>	<u>1,144,108</u>	<u>728,596</u>
<b>Other Financing Sources (Uses)</b>				
Debt Service	-	-	(23,533)	(23,533)
Capital Outlay	-	-	(196,261)	(196,261)
Transfers Out	<u>(1,683,009)</u>	<u>(1,228,299)</u>	<u>(1,285,281)</u>	<u>(56,982)</u>
Total Other Financing Sources (Uses)	<u>(1,683,009)</u>	<u>(1,228,299)</u>	<u>(1,505,075)</u>	<u>(276,776)</u>
<b>Net Change in Fund Balance</b>	(645,190)	(812,787)	(360,967)	451,820
<b>Fund Balance, Beginning of year</b>	<u>3,514,104</u>	<u>4,736,692</u>	<u>4,736,692</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ 2,868,914</u>	<u>\$ 3,923,905</u>	<u>\$ 4,375,725</u>	<u>\$ 451,820</u>

See the accompanying Independent Auditors' Report.

**Salida School District Number R-32-J**  
Notes to Required Supplementary Information  
June 30, 2019

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

The Public Employees' Retirement Association of Colorado (PERA) School 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 School's fiscal year ending on June 30.

**Changes in Assumptions and Other Inputs**

For the year ended June 30, 2019, the total pension liability was determined by an actuarial valuation as of December 31, 2017. The following revised economic and demographic assumptions were effective as of December 31, 2017.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption decreased from 4.85% per year, net of investment expenses, to 4.78%. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date increased from 4.78% to 7.25%.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

**Note 2: Stewardship, Compliance and Accountability**

**Budgets**

Budgets are adopted for all funds of the District, except the Agency Fund. Budgets are presented on a basis consistent with generally accepted accounting principles.

The District adheres to the following procedures to establish the budgetary information reflected in the financial statements:

- By May 31, 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 budgets lapse at fiscal year-end.

## **Supplementary Information**

**Salida School District Number R-32-J**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2019

	Head Start	Grants	Food Service	Capital Reserve	Total
<b>Assets</b>					
Cash and Investments	\$ -	\$ -	\$ 169,406	\$ 983,162	\$ 1,152,568
Accounts Receivable	-	-	15,924	-	15,924
Grants Receivable	-	66,271	-	-	66,271
Inventories	-	-	1,500	-	1,500
	-	-	1,500	-	1,500
Total Assets	\$ -	\$ 66,271	\$ 186,830	\$ 983,162	\$ 1,236,263
<b>Liabilities</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ 60,506	\$ 60,506
Retainage Payable	-	-	-	-	-
Accrued Salaries and Benefits	-	155,861	37,609	-	193,470
Interfund Payables	2,981	282,549	-	26,514	312,044
Unearned Revenues	-	(4,288)	-	-	(4,288)
	-	(4,288)	-	-	(4,288)
Total Liabilities	2,981	434,122	37,609	87,020	561,732
<b>Fund Balances</b>					
Nonspendable Inventories	-	-	1,500	-	1,500
Restricted for:					
Capital Renewal	-	-	-	683,395	683,395
Head Start	(2,981)	-	-	-	(2,981)
Assigned to:					
Grant Programs	-	(367,851)	-	-	(367,851)
Food Service	-	-	147,721	-	147,721
Capital Projects	-	-	-	212,747	212,747
	-	-	-	212,747	212,747
Total Fund Balances	(2,981)	(367,851)	149,221	896,142	674,531
Total Liabilities and Fund Balances	\$ -	\$ 66,271	\$ 186,830	\$ 983,162	\$ 1,236,263

**Salida School District Number R-32-J**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2019

	Head Start	Grants	Food Service	Capital Reserve	Total
<b>Revenues</b>					
Local Sources	\$ 70,351	\$ 1,397	\$ 162,774	\$ 2,252	\$ 236,774
State Sources	-	335,128	7,079	-	342,207
Federal Sources	790,249	360,075	230,029	-	1,380,353
<b>Total Revenues</b>	<u>860,600</u>	<u>696,600</u>	<u>399,882</u>	<u>2,252</u>	<u>1,959,334</u>
<b>Expenditures</b>					
Current					
Instruction	370,715	428,190	-	-	798,905
Supporting Services	960,735	682,221	-	-	1,642,956
Food Service	-	-	572,207	-	572,207
Capital Outlay	-	-	-	753,333	753,333
<b>Total Expenditures</b>	<u>1,331,450</u>	<u>1,110,411</u>	<u>572,207</u>	<u>753,333</u>	<u>3,767,401</u>
<b>Excess of Revenues (Under) Expenditures</b>	<u>(470,850)</u>	<u>(413,811)</u>	<u>(172,325)</u>	<u>(751,081)</u>	<u>(1,808,067)</u>
<b>Other Financing Sources</b>					
Proceeds From Sale of Assets	-	-	-	40,000	40,000
Transfers In	240,640	-	190,000	806,439	1,237,079
<b>Net Change in Fund Balances</b>	(230,210)	(413,811)	17,675	95,358	(530,988)
<b>Fund Balance, Beginning of year</b>	<u>227,229</u>	<u>45,960</u>	<u>131,546</u>	<u>800,784</u>	<u>1,205,519</u>
<b>Fund Balance, End of year</b>	<u>\$ (2,981)</u>	<u>\$ (367,851)</u>	<u>\$ 149,221</u>	<u>\$ 896,142</u>	<u>\$ 674,531</u>

**Salida School District Number R-32-J**  
 Budgetary Comparison Schedule  
 Head Start Fund  
 For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Tuition	\$ -	\$ -	\$ -	\$ -
Investment Income	83,260	83,260	18	(83,242)
Other	-	-	70,333	70,333
<i>Federal Sources</i>				
Grants	1,095,855	1,095,855	790,249	(305,606)
<b>Total Revenues</b>	<u>1,179,115</u>	<u>1,179,115</u>	<u>860,600</u>	<u>(318,515)</u>
<b>Expenditures</b>				
<i>Instruction</i>				
Salaries	276,282	276,174	251,778	24,396
Employee Benefits	83,863	83,971	93,013	(9,042)
Purchased Services	77,100	77,100	808	76,292
Supplies and Materials	28,000	28,000	25,116	2,884
Total Instruction	<u>465,245</u>	<u>465,245</u>	<u>370,715</u>	<u>94,530</u>
<i>Supporting Services</i>				
Salaries	464,461	464,264	395,283	68,981
Employee Benefits	122,116	122,313	125,846	(3,533)
Purchased Services	301,671	301,671	383,199	(81,528)
Supplies and Materials	63,500	63,500	56,407	7,093
Other	-	-	-	-
Total Supporting Services	<u>951,748</u>	<u>951,748</u>	<u>960,735</u>	<u>(8,987)</u>
<i>Reserves</i>	<u>207,680</u>	<u>207,583</u>	<u>-</u>	<u>207,583</u>
<b>Total Expenditures</b>	<u>1,624,673</u>	<u>1,624,576</u>	<u>1,331,450</u>	<u>293,126</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(445,558)	(445,461)	(470,850)	(25,389)
<b>Other Financing Sources</b>				
Transfers In	<u>210,600</u>	<u>218,232</u>	<u>240,640</u>	<u>22,408</u>
<b>Net Change In Fund Balance</b>	(234,958)	(227,229)	(230,210)	(2,981)
<b>Fund Balance, Beginning of year</b>	<u>234,958</u>	<u>227,229</u>	<u>227,229</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,981)</u>	<u>\$ (2,981)</u>

See the accompanying Independent Auditors' Report.

**Salida School District Number R-32-J**  
 Budgetary Comparison Schedule  
 Grants Fund  
 For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Local Grants	\$ -	\$ -	\$ 1,397	\$ 1,397
State Grants	346,606	346,606	335,128	(11,478)
Federal Grants	200,508	200,508	360,075	159,567
<b>Total Revenues</b>	<u>547,114</u>	<u>547,114</u>	<u>696,600</u>	<u>149,486</u>
<b>Expenditures</b>				
<i>Instruction</i>				
Salaries	95,306	95,306	204,857	(109,551)
Employee Benefits	24,882	24,882	32,522	(7,640)
Purchased Services	51,810	51,810	-	51,810
Supplies and Materials	20,362	20,362	41,222	(20,860)
Other	235,829	235,829	149,589	86,240
<b>Total Instruction</b>	<u>428,190</u>	<u>428,190</u>	<u>428,190</u>	<u>-</u>
<i>Supporting Services</i>				
Salaries	368,841	368,841	364,760	4,081
Employee Benefits	108,798	108,798	111,291	(2,493)
Purchased Services	142,357	142,357	156,783	(14,426)
Supplies and Materials	18,910	18,910	29,367	(10,457)
Other	43,315	43,315	20,020	23,295
<b>Total Supporting Services</b>	<u>682,221</u>	<u>682,221</u>	<u>682,221</u>	<u>-</u>
<i>Reserves</i>				
	-	46,006	-	46,006
<b>Total Expenditures</b>	<u>1,110,411</u>	<u>1,156,417</u>	<u>1,110,411</u>	<u>46,006</u>
<b>Net Change in Fund Balance</b>	(563,297)	(609,303)	(413,811)	195,492
<b>Fund Balance, Beginning of year</b>	<u>45,960</u>	<u>45,960</u>	<u>45,960</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ (517,337)</u>	<u>\$ (563,343)</u>	<u>\$ (367,851)</u>	<u>\$ 195,492</u>

**Salida School District Number R-32-J**  
 Budgetary Comparison Schedule  
 Food Service Fund  
 For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Charges for Services	\$ 178,379	\$ 186,070	\$ 162,737	\$ (23,333)
Investment Income	11	11	37	26
<i>State Sources</i>				
State Grants	6,941	6,941	7,079	138
<i>Federal Sources</i>				
School Breakfast and Lunch Program	<u>215,952</u>	<u>243,219</u>	<u>230,029</u>	<u>(13,190)</u>
<b>Total Revenues</b>	<u>401,283</u>	<u>436,241</u>	<u>399,882</u>	<u>(36,359)</u>
<b>Expenditures</b>				
<i>Current</i>				
Salaries	252,398	252,398	244,269	8,129
Employee Benefits	77,321	110,244	71,254	38,990
Purchased Services	16,753	16,753	7,880	8,873
Supplies and Materials	244,811	246,847	248,804	(1,957)
Reserves	<u>37,137</u>	<u>131,545</u>	<u>-</u>	<u>131,545</u>
<b>Total Expenditures</b>	<u>628,420</u>	<u>757,787</u>	<u>572,207</u>	<u>185,580</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(227,137)	(321,546)	(172,325)	149,221
<b>Other Financing Sources</b>				
Transfers In	<u>190,000</u>	<u>190,000</u>	<u>190,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	(37,137)	(131,546)	17,675	149,221
<b>Fund Balance, Beginning of year</b>	<u>37,137</u>	<u>131,546</u>	<u>131,546</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,221</u>	<u>\$ 149,221</u>

## Salida School District Number R-32-J

Budgetary Comparison Schedule  
Bond Redemption Fund  
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Property Taxes	\$ 2,072,484	\$ 2,072,484	\$ 2,082,302	\$ 9,818
Investment Income	10,000	17,880	26,005	8,125
Total Revenues	<u>2,082,484</u>	<u>2,090,364</u>	<u>2,108,307</u>	<u>17,943</u>
<b>Expenditures</b>				
Debt Service				
Principal	1,285,086	1,285,086	1,285,086	-
Interest and Fiscal Charges	787,198	787,198	787,197	1
Reserves	<u>1,792,728</u>	<u>1,814,383</u>	<u>-</u>	<u>1,814,383</u>
Total Expenditures	<u>3,865,012</u>	<u>3,886,667</u>	<u>2,072,283</u>	<u>1,814,384</u>
<b>Net Change in Fund Balance</b>	(1,782,528)	(1,796,303)	36,024	1,832,327
<b>Fund Balance, Beginning of year</b>	<u>1,782,528</u>	<u>1,796,303</u>	<u>1,796,303</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,832,327</u>	<u>\$ 1,832,327</u>

**Salida School District Number R-32-J**  
 Budgetary Comparison Schedule  
 Building Fund  
 For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Investment Income	\$ 36	\$ 36	\$ 33	\$ (3)
<i>State Sources</i>				
State Grants	665,782	-	-	-
Total Revenues	<u>665,818</u>	<u>36</u>	<u>33</u>	<u>(3)</u>
<b>Expenditures</b>				
Capital Outlay	715,818	34,605	14,045	20,560
Reserves	(25,000)	36	-	36
Total Expenditures	<u>690,818</u>	<u>34,641</u>	<u>14,045</u>	<u>20,596</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(25,000)	(34,605)	(14,012)	20,593
<b>Other Financing Sources (uses)</b>				
Transfers In	25,000	68,793	48,202	(20,591)
<b>Net Change in Fund Balance</b>	-	34,188	34,190	2
<b>Fund Balance, Beginning of year</b>	<u>-</u>	<u>(34,188)</u>	<u>(34,188)</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>

**Salida School District Number R-32-J**  
 Budgetary Comparison Schedule  
 Capital Reserve Fund  
 For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Investment Income	\$ 1,888	\$ 1,888	\$ 2,252	\$ 364
Other	-	26,514	-	(26,514)
<b>Total Revenues</b>	<u>1,888</u>	<u>28,402</u>	<u>2,252</u>	<u>(26,150)</u>
<b>Expenditures</b>				
<i>Capital Outlay</i>				
Buildings and Improvements	594,000	599,039	405,897	193,142
Equipment	-	-	347,436	(347,436)
<i>Reserves</i>	<u>386,690</u>	<u>827,298</u>	<u>-</u>	<u>827,298</u>
<b>Total Expenditures</b>	<u>980,690</u>	<u>1,426,337</u>	<u>753,333</u>	<u>673,004</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(978,802)	(1,397,935)	(751,081)	646,854
<b>Other Financing Sources</b>				
Proceeds From Sale of Assets	-	-	40,000	40,000
Transfers In	<u>592,112</u>	<u>597,151</u>	<u>806,439</u>	<u>209,288</u>
<b>Net Change in Fund Balance</b>	(386,690)	(800,784)	95,358	896,142
<b>Fund Balance, Beginning of year</b>	<u>386,690</u>	<u>800,784</u>	<u>800,784</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 896,142</u>	<u>\$ 896,142</u>

**Salida School District Number R-32-J**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended June 30, 2019**

	Balances 6/30/18	Additions	Deductions	Balances 6/30/19
<b>Pupil Activity Fund</b>				
Assets				
Cash and Investments	\$ <u>295,131</u>	\$ <u>883,267</u>	\$ <u>(848,525)</u>	\$ <u>329,873</u>
Liabilities				
Held for Student Scholarships	\$ 57,032	\$ 573	\$ -	\$ 57,605
Due to Student Groups	<u>238,099</u>	<u>882,694</u>	<u>(848,525)</u>	<u>272,268</u>
Total Liabilities	<u>\$ 295,131</u>	<u>\$ 883,267</u>	<u>\$ (848,525)</u>	<u>\$ 329,873</u>

## **Compliance Section**

## **Single Audit**



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

Board of Education  
Salida School District Number R-32-J  
Salida, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida School District Number R-32-J as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, and have issued our report thereon dated November 12, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Salida School District Number R-32-J's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Salida School District Number R-32-J's internal control. Accordingly, we do not express an opinion on the effectiveness of the Salida School District Number R-32-J's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Salida School District Number R-32-J's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Internal Control Over Financial Reporting** (Continued)

Our consideration of the Salida School District Number R-32-J's internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Salida School District Number R-32-J's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Salida School District Number R-32-J's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Salida School District Number R-32-J's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Hick & Company, PC*

Greenwood Village, Colorado  
November 12, 2019





**Independent Auditors' Report on Compliance for Each  
Major Federal Program, Internal Control Over Compliance,  
and the Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance**

Board of Education  
Salida School District Number R-32-J  
Salida, Colorado

**Report on Compliance for Each Major Federal Program**

We have audited the Salida School District Number R-32-J's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Salida School District Number R-32-J's major federal programs for the year ended June 30, 2019. The Salida School District Number R-32-J's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Salida School District Number R-32-J's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Salida School District Number R-32-J's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**Auditors' Responsibility** (Continued)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Salida School District Number R-32-J's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Salida School District Number R-32-J complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**Report on Internal Control Over Compliance**

Management of the Salida School District Number R-32-J is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Salida School District Number R-32-J's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Salida School District Number R-32-J's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the Salida School District Number R-32-J's internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida School District Number R-32-J as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Salida School District Number R-32-J. We issued our report thereon dated November 12, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salida School District Number R-32-J's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Hick & Company, PC*

Greenwood Village, Colorado  
November 12, 2019



**Salida School District Number R-32-J**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2019

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	Pass-Through Entity Identifying Number	Federal CFDA Number	Disbursements
<b>U.S. Department of Education</b>			
Passed through Colorado Department of Education			
Title I	4010	84.010	\$ 149,589
Supporting Effective Instruction	4367	84.367	36,312
Title IV-A Student Support and Academic Enrichment	4424	84.424	<u>10,749</u>
Total U.S. Department of Education			<u>196,650</u>
<b>U.S. Department of Agriculture</b>			
<i>Child Nutrition Cluster:</i>			
Passed through Colorado Department of Human Services			
Donated Commodities		10.555	29,014
Passed through Colorado Department of Education			
School Breakfast Program	4553	10.553	29,045
National School Lunch Program	4555	10.555	<u>151,131</u>
Total Child Nutrition Cluster			<u>209,190</u>
Passed through Colorado Department of Public Health and Environment			
Child and Adult Care Food Program		10.558	<u>20,839</u>
Total U.S. Department of Agriculture			<u>230,029</u>
<b>U.S. Department of Health and Human Services</b>			
Direct Program			
Head Start		93.600	<u>1,027,600</u>
Total U.S. Department of Health and Human Services			<u>1,027,600</u>
Total Federal Financial Assistance			<u>\$ 1,454,279</u>

**Salida School District Number R-32-J**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2019

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP): Unmodified.

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

Noncompliance material to the financial statements noted?

- Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

- Yes  No

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Cluster/Program</u>
93.600	Head Start

Dollar threshold used to distinguish Between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

- Yes  No

**Section II: Financial Statement Findings**

No current year findings or questioned costs were reported.

**Section III: Federal Awards Findings and Questioned Costs**

No current year findings or questioned costs were reported.

**Salida School District Number R-32-J**  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2019

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements. The District does not charge a de minimis indirect cost rate.

## **State Compliance**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 0500 - Salida R-32  
 Fiscal Year 2018-19  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	4,679,843	12,291,566	12,645,457	4,325,952
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	56,851	212,606	219,684	49,773
<b>Sub- Total</b>	<b>4,736,694</b>	<b>12,504,172</b>	<b>12,865,141</b>	<b>4,375,725</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	227,229	1,101,241	1,331,450	-2,981
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	131,545	589,881	572,206	149,220
22 Govt Designated-Purpose Grants Fund	45,960	696,600	1,110,412	-367,852
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	1,796,304	2,108,306	2,072,284	1,832,326
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	-34,187	48,235	14,046	2
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	800,784	848,692	753,334	896,142
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>7,704,329</b>	<b>17,897,127</b>	<b>18,718,873</b>	<b>6,882,583</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	57,032	573	0	57,606
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	238,099	882,694	848,526	272,268
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>295,132</b>	<b>883,267</b>	<b>848,526</b>	<b>329,873</b>

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