

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

**FINANCIAL STATEMENTS
June 30, 2019**



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

SARGENT SCHOOL DISTRICT RE-33J
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Wall,
Smith,
Bateman Inc.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sargent School District RE-33J (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 – Summary of Significant Accounting Policies, in fiscal year 2019 the District adopted the provisions of *GASB Statement No.84, Fiduciary Activities*, thereby reporting the Pupil Activity Agency Fund combined with the Pupil Activity Special Revenue Fund. The District previously reported this activity in a fiduciary fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Wall, Smith, Bateman inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

January 13, 2020

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

As management of the Sargent School District, we offer readers of the Sargent School District's financial statements this narrative overview and analysis of the financial activities of the Sargent School District for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this section.

Financial Highlights 2019

- The District's financial status increased over the course of the 2019 fiscal year. Total net position increased \$878,109.
- General revenues, primarily property taxes and state equalization payments, account for approximately \$4,184,816 or 85% percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$710,758 or 14% percent of total revenues of \$4,927,128.
- The District had \$4,049,019 in expenses related to governmental activities; General revenues of \$4,216,370 were adequate to provide for these programs.
- Outlays for capital assets were primarily comprised of purchase of technology.
- The District decreased its outstanding long-term debt by approximately \$235,000.

Financial Highlights 2018

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

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

Overview of the Financial Statements

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

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

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

District-wide Financial Statements

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

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

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

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. Included in governmental activities are most of the District's basic services such as regular and special education, transportation, and administration. The District doesn't have any services accounted for as business-type activities.

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

Fund Financial Statements

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

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

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

FINANCIAL ANALYSIS IF THE DISTRICT AS A WHOLE

Total assets for the District were \$23,394,966 in 2018 and \$23,224,718 in 2019. Cash and cash equivalents were \$2,410,072 in 2018 and \$2,749,649 in 2019. Accounts receivable was \$47,935 in 2018 and \$31,371 in 2019. Receivables from other governmental entities were \$56,295 in 2018 and \$48,139 in 2019. Net capital assets were in the amount of \$20,873,462 in 2018 and \$20,389,659 in 2019. Current liabilities were \$591,977 in 2018 and \$718,792 in 2019.

The effect of the PERA pension and OPEB expense on the District's total net position for FY2019 and 2018 is summarized below:

	FY 2019	FY 2018
Net position (GAAP Basis)	\$ 8,716,812	\$ 7,749,229
GASB 68 - Pension	10,394,481	11,423,717
GASB 75 - OPEB	334,379	329,789
Net position excluding Pension and OPEB	<u>\$ 19,445,672</u>	<u>\$ 19,502,735</u>

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

The effect of the PERA pension and OPEB expense on the District's unrestricted net position is summarized below:

	FY2019	FY 2018
Unrestricted - Net Position (GAAP Basis)	\$ (9,244,363)	\$ (10,397,765)
GASB 68 - Pension	10,394,481	11,423,717
GASB 75 - OPEB	334,379	329,789
Net position excluding Pension and OPEB	\$ 1,484,497	\$ 1,355,741

Management's estimate of the District's proportionate share of the State On-Behalf Direct Distribution is \$56,484, which is recognized as a contribution and allocation of expenditures in the General Fund.

Other Information

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

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

District-wide Financial Analysis

Table 1 provides a summary of the District's net position at June 30, 2018 and 2019.

**Table 1
Statement of Net Position**

	Governmental Activities 2018	Governmental Activities 2019
Assets		
Current Assets	\$ 2,521,504	\$ 2,835,059
Capital Assets	\$20,873,462	\$20,389,659
Total Assets	<u>\$23,394,966</u>	<u>\$23,224,718</u>
Deferred Outflows of Resources	<u>\$4,247,449</u>	<u>\$ 1,054,821</u>
Liabilities		
Current Liabilities	\$ 356,977	\$ 478,792
Long-term Liabilities:		
Due within one year	\$ 235,000	\$ 240,000
Due more than one year	\$18,333,826	\$10,362,712
Total Liabilities	<u>\$18,925,803</u>	<u>\$11,081,504</u>
Deferred inflows of Resources	\$ 967,383	\$ 4,481,223
Net Position		
Net Investment in Capital Assets	\$17,348,462	\$17,099,659
Restricted for:		
TABOR	\$ 112,000	\$ 130,854
BEST Reserve	\$ 269,430	\$ 305,680
Debt Service	\$ 417,102	\$ 424,982
Unrestricted	(\$10,397,765)	(\$9,244,363)
Total Net Position	<u>\$7,749,229</u>	<u>\$8,716,812</u>

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

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

**Statement of Activities
For 2018 and 2019**

	FY 2018	FY 2019
Governmental Activities		
REVENUES		
Program Revs:		
Charges for Services	\$ 91,722	\$ 90,866
Operating Grants & Cont.	\$ 474,457	\$ 619,892
General Revs:		
Property Taxes	\$1,589,092	\$1,823,336
State Equalization	\$2,321,811	\$2,361,480
Other Revenues	\$238,327	\$ 31,554
Total General Revenues	\$4,715,409	\$4,927,128
Expenses:		
Instructional Program	\$3,640,712	\$2,072,967
Student Support	\$333,291	\$ 152,563
Instructional Staff Support Services	\$318,121	\$ 97,415
General Admin Support	\$464,635	\$ 271,305
School Admin Support	\$402,394	\$ 195,040
Business Support Services	\$189,284	\$ 124,494
O & M Plans Svs.	\$757,286	\$ 539,282
Student Transportation	\$257,631	\$ 170,000
Central Support Services	\$91,816	\$ 44,872
Facilities Acquisition	\$130,877	\$ 84,724
Interest- Long Term Debt	\$150,578	\$ 141,006
Food Services	\$284,040	\$ 155,351
Total Expenses	\$7,020,665	\$4,049,019
Net Position- Beginning of yr., as previously stated	\$10,054,485	\$7,749,229
Change in Accounting Principal	-	\$89,474
Increase/Decrease		
Net Position Beginning of Year Restated	\$10,054,485	\$7,838,703
Transfers	-	-
Change in Net Position	(\$2,305,256)	\$878,109
Ending Net Position	\$7,749,229	\$8,716,812

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

Property taxes and per pupil state formula revenue (state equalization) account for most of the District's revenue, contributing about 85%. State and Federal grants and private partnership grants contribute the remaining 15% of revenue.

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

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

Table 3a District Source of Funds 2018

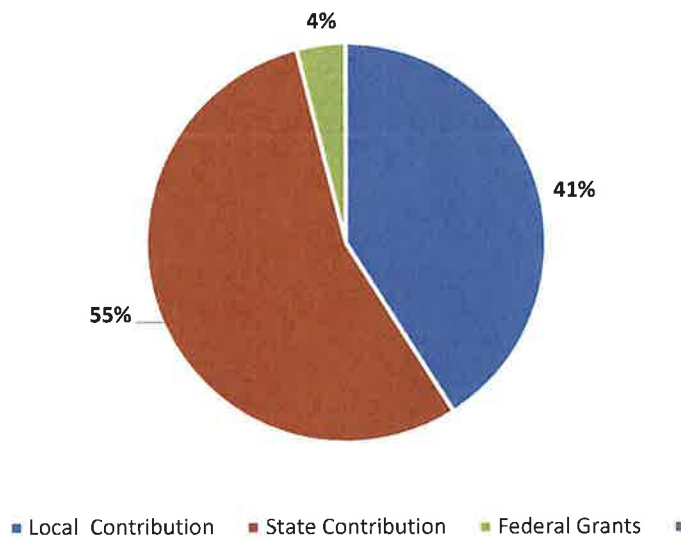
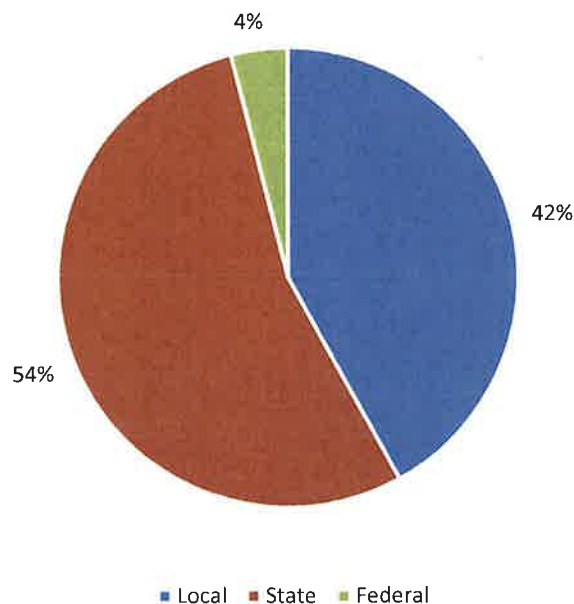
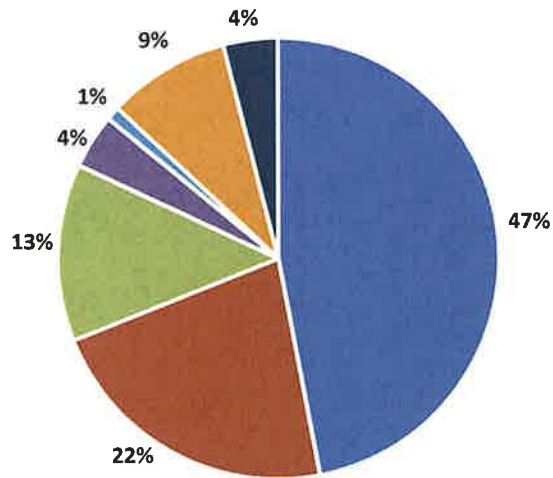


Table 3b District Source of Funds 2019



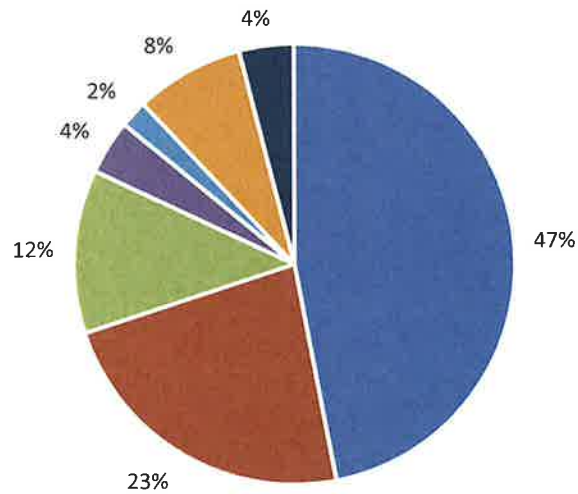
**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

Table 4a District Use of Funds 2018



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

Table 4b District Use of Funds 2019



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

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the district received \$10,381.20 per funded student. Starting in 2010, the legislature added a negative factor to the School Finance Formula. With this factor the district's adjusted per pupil funding was \$9,477.60 for FY 2019. The averaged funded pupil count was 372.4, with an October count of 333. Program funding comes from property taxes, specific ownership taxes and state equalization. The district received approximately 48% of funding from state equalization while the remaining amounts came from local taxes. State law allows school districts to obtain an additional 35% of funding from local property taxes. This is accomplished by successfully passing a mill levy override ballot question.

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

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

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

**Sargent School District RE-33J
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

- The cost of all governmental activities this year was \$4,049,019
- Most of the District's costs (\$4,049,019) were financed by District and State taxpayers
- This portion of governmental activities was financed with \$1,823,336 in property taxes, \$2,361,480 in state aid (equalization) based on the statewide formula for per pupil funding, and \$31,554 in investment earnings and other miscellaneous revenues not pertaining specifically to a program.

Financial Analysis of the District's Funds

Information about the District's funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$4,927,128 and expenditures of \$4,049,019. The net change in total fund balance for the year was an increase of \$878,109.

General Fund Budgetary Highlights

The District approves a budget in June based on enrollment projections for the following school year. In January, 2019 the District revised the annual operating budget approved by the District's Board of Education in June 2018.

General Fund total expenditures were \$117,290 less than budgeted.

The primary reason for the revised budget was to reflect the October student count. Actual revenue of \$4,112,556 was less than budgetary amount by \$2,860. Total expenditures were \$3,839,126. Transfer to other funds in the amount of \$159,000 results in a net increase of \$114,430. The fund balance at the beginning of the year was \$1,676,360 and the fund balance at the end of the year was \$1,790,790.

Capital Assets

By the end of the fiscal year 2019, the District had invested \$20,389,659 in a broad range of capital assets, including land, buildings, site improvements, vehicles and other equipment. (See Table 6 on next page).

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

	Governmental Activities 2018	Governmental Activities 2019
Land	\$ 128,621	\$ 128,621
Buildings & Improvements	\$24,747,257	\$24,747,257
Land Improvements	\$ 105,750	\$ 105,750
Equipment	\$ 825,556	\$ 843,056
Vehicles	\$ 616,555	\$ 616,555
Less Accum. Depreciation	\$(5,550,277)	(\$6,051,580)
Totals	\$20,873,462	\$20,389,659

**Sargent School District RE-33J
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

**Table 7b
Long-term liability balances for the year ended June 30, 2019 were as follows:**

	Beginning Balance 6/30/18	Additions	Deletions	Ending Balance 6/30/19	Due Within One Year
G.O. Bonds Payable	\$3,525,000	-	\$235,000	\$3,290,000	\$240,000
Compensated Absences	\$ 10,254	-	-	\$ 10,254	\$ -
Total	\$3,535,254	-	\$235,000	\$3,300,254	\$240,000

Factors Bearing on the District’s Future

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

- Information from the 2019-20 student enrollment “October count” shows that Sargent School District has 25.5 FTE more students than last year. 2019-20 is the first year of funding full day kindergarten, therefore the FTE total reflects this increased funding. (Based on the October count K-12 student head-count, enrollment increased 7 students.)
- Based on our historical trends, our projections for student enrollment for fall 2020, will show District enrollment declining.
- The United States and the State of Colorado have experienced unprecedented economic decline. One impact of this budget crisis is the reduction in the State of Colorado’s general fund revenues, which are expected to continue to decline. Because educational expenditures represent a significant portion of the State of Colorado’s total expenditures, the District anticipates its revenues will be adversely impacted. If the District revenues are reduced, the District will be required to reduce its future expenditures.
- The Sargent School District has a long history for academic excellence and small class sizes. Approximately 74% of the students that attend Sargent Schools are not resident students. The District must maintain its tradition of excellence to keep enrollment at its current level. The state revenue that follows these non-resident students is very important to the financial success of the District.

Contacting the District’s Financial Management

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

SARGENT SCHOOL DISTRICT RE-33J
BASIC FINANCIAL STATEMENTS

SARGENT SCHOOL DISTRICT RE-33J

STATEMENT OF NET POSITION

June 30, 2019

	Primary Government
	Governmental
	Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 2,749,649
Accounts Receivable	31,371
Due from Other Governments	48,139
Inventory	5,900
Capital Assets	
Land	128,621
Buildings and Improvements	24,747,257
Land Improvements	105,750
Equipment	843,056
Vehicles	616,555
Less: Accumulated Depreciation	(6,051,580)
TOTAL ASSETS	23,224,718
DEFERRED OUTFLOWS OF RESOURCES	
Pension	1,036,886
OPEB	17,935
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,054,821
LIABILITIES	
Current Liabilities	
Accounts Payable	55,229
Accrued Salaries and Benefits	340,688
Unearned Grant Revenue	82,875
General Obligation Bonds - Due within one year	240,000
Long-term Liabilities	
General Obligation Bonds	3,050,000
Compensated Absences	10,254
Net Pension Liability	6,955,093
Net OPEB Liability	347,365
TOTAL LIABILITIES	11,081,504
DEFERRED INFLOWS OF RESOURCES	
Pension	4,476,274
OPEB	4,949
TOTAL DEFERRED INFLOWS OF RESOURCES	4,481,223
NET POSITION	
Net Investment in Capital Assets	17,099,659
Restricted for:	
TABOR	130,854
BEST Reserve	305,680
Debt Service	424,982
Unrestricted	(9,244,363)
TOTAL NET POSITION	\$ 8,716,812

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

SARGENT SCHOOL DISTRICT RE-33J
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants & Contributions		Capital Grants & Contributions
Primary Government:					
Governmental Activities:					
Instructional Program	\$ 2,072,967	\$ -	\$ 469,654	-	\$ (1,603,313)
Student Supporting Services	152,563	-	23,763	-	(128,800)
Instructional Staff Supporting Services	97,415	-	2,311	-	(95,104)
General Administration Supporting Services	271,305	-	3,847	-	(267,458)
School Administration Supporting Services	195,040	-	4,337	-	(190,703)
Business Supporting Services	124,494	-	987	-	(123,507)
Operations and Maintenance of Plant Services	539,282	-	11,203	-	(528,079)
Student Transportation Services	170,000	11,773	28,364	-	(129,863)
Central Supporting Services	44,872	-	150	-	(44,722)
Food Services	155,351	79,093	75,276	-	(982)
Facilities Acquisition and Construction	84,724	-	-	-	(84,724)
Interest on Long-term Debt	141,006	-	-	-	(141,006)
Total Governmental Activities	4,049,019	90,866	619,892	-	(3,338,261)
Total Primary Government	\$ 4,049,019	\$ 90,866	\$ 619,892	\$ -	(3,338,261)
		General Revenues			
		Taxes:			
		General Property Taxes			1,616,978
		Specific Ownership Taxes			203,852
		Other Taxes			2,506
		State Equalization			2,361,480
		Interest Income			6,183
		Miscellaneous			25,371
		Total General Revenues			4,216,370
		Change in Net Position			878,109
		Net Position, Beginning of Year, As Previously Stated			7,749,229
		Change in Accounting Principle			89,474
		Net Position, Beginning of Year Restated			7,838,703
		Net Position, End of Year			\$ 8,716,812

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

SARGENT SCHOOL DISTRICT RE-33J
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2019

	GENERAL FUND	FEDERAL PROGRAMS FUND	BOND REDEMPTION FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 2,024,576	\$ 104,001	\$ 406,228	\$ 214,844	\$ 2,749,649
Accounts Receivable	18,237	-	13,134	-	31,371
Due From Other Governments	42,245	274	5,620	-	48,139
Due From Other Funds	24,812	-	-	4,467	29,279
Inventory	-	-	-	5,900	5,900
TOTAL ASSETS	\$ 2,109,870	\$ 104,275	\$ 424,982	\$ 225,211	\$ 2,864,338
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 3,028	\$ 8,639	\$ -	\$ 43,562	\$ 55,229
Due to Other Funds	4,467	-	-	24,812	29,279
Accrued Salaries and Benefits	311,585	12,755	-	16,348	340,688
Unearned Grant Revenue	-	82,875	-	-	82,875
TOTAL LIABILITIES	319,080	104,269	-	84,722	508,071
FUND BALANCE					
Nonspendable: Inventory	-	-	-	5,900	5,900
Restricted:					
TABOR	130,854	-	-	-	130,854
BEST Capital Renewal Reserve	305,680	-	-	-	305,680
Debt Service	-	-	424,982	-	424,982
Committed:					
Facilities	40,198	-	-	-	40,198
Pupil Activities	-	-	-	87,641	87,641
Food Service	-	-	-	44,604	44,604
Capital Projects	-	-	-	2,344	2,344
Federal Programs	-	6	-	-	6
Assigned:					
Residential	21,403	-	-	-	21,403
Curriculum	91,595	-	-	-	91,595
Retention Bonus	65,000	-	-	-	65,000
Security Resource Officer	60,000	-	-	-	60,000
Designated for Subsequent Years	870,537	-	-	-	870,537
Unassigned	205,523	-	-	-	205,523
TOTAL FUND BALANCE	1,790,790	6	424,982	140,489	2,356,267
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,109,870	\$ 104,275	\$ 424,982	\$ 225,211	\$ 2,864,338

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

SARGENT SCHOOL DISTRICT RE-33J
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
June 30, 2019

Total governmental fund balances		\$ 2,356,267
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.		20,389,659
Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds, but must be deferred in the statement of net position.		1,054,821
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.		
General Obligation Bonds	\$ (3,290,000)	
Compensated Absences	<u>(10,254)</u>	
		(3,300,254)
Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds.		(7,302,458)
Certain amounts related to the net pension and OPEB liabilities are deferred and amortized over time. These are not reported in the funds.		<u>(4,481,223)</u>
Net position of governmental activities		<u><u>\$ 8,716,812</u></u>

SARGENT SCHOOL DISTRICT RE-33J
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2019

	GENERAL FUND	FEDERAL PROGRAMS FUND	BOND REDEMPTION FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Federal Sources	\$ -	\$ 110,535	\$ -	\$ 70,804	\$ 181,339
Intermediate Sources	92	-	-	-	92
State Sources	2,631,522	22,946	-	2,352	2,656,820
Local Sources	1,480,942	9,755	383,886	214,294	2,088,877
TOTAL REVENUES	4,112,556	143,236	383,886	287,450	4,927,128
EXPENDITURES					
Instructional Program	2,000,856	91,040	-	197,767	2,289,663
Student Supporting Services	183,161	30,908	-	-	214,069
Instructional Staff Supporting Services	134,634	4,706	-	-	139,340
General Administration Supporting Services	268,992	-	-	-	268,992
School Administration Supporting Services	273,714	-	-	-	273,714
Business Supporting Services	140,736	-	-	-	140,736
Operations and Maintenance of Plant Services	617,129	6,821	-	-	623,950
Student Transportation Services	182,057	-	-	-	182,057
Central Supporting Services	37,847	9,755	-	-	47,602
Food Services	-	-	-	193,804	193,804
Facilities Acquisition and Construction	-	-	-	74,929	74,929
Debt Service	-	-	376,006	-	376,006
TOTAL EXPENDITURES	3,839,126	143,230	376,006	466,500	4,824,862
Excess (deficiency) of revenues over expenditures	273,430	6	7,880	(179,050)	102,266
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds	-	-	-	159,000	159,000
Transfers to Other Funds	(159,000)	-	-	-	(159,000)
TOTAL OTHER FINANCING SOURCES (USES)	(159,000)	-	-	159,000	-
Net Change in Fund Balance	114,430	6	7,880	(20,050)	102,266
Fund Balance, Beginning of Year, As Previously Stated	1,676,360	-	417,102	71,065	2,164,527
Change in Accounting Principle	-	-	-	89,474	89,474
Fund Balance, Beginning of Year, Restated	1,676,360	-	417,102	160,539	2,254,001
Fund Balance, End of Year	1,790,790	6	424,982	140,489	2,356,267

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

SARGENT SCHOOL DISTRICT RE-33J
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 102,266

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

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

Fixed asset additions	\$	17,500	
Depreciation expense		<u>(501,303)</u>	(483,803)

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

Principal payment on general obligation bonds			235,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds.

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

		<u>1,024,646</u>	
Change in net position of governmental activities	\$	878,109	<u><u> </u></u>

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

Primary Government

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

Component Units

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

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

The District reports the following major governmental funds:

- The **General Fund** – is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Federal Programs Fund** – is used to account for financial transactions for grants received for designated programs funded by federal, state, or local governments.
- The **Bond Redemption Fund** – is used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on the long-term general obligation debt or long-term voter-approved lease-purchase debt.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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

Cash and Cash Equivalents

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

Property Taxes

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

Uncollected property taxes that became an enforceable lien January 1, 2019 have been recorded in the financial statements as an asset and corresponding deferred inflow of resources.

Receivables/Payables From Other District Funds

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

Inventories

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

USDA Commodities

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

Capital Assets

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

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

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

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Long-Term Obligations

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

Compensated Absences

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

Unearned Grant Revenue

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

Deferred Outflows/Inflows of Resources

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

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

Certain amounts related to pensions and other postemployment benefits must be deferred.

Pensions

The District participates in the School Division Trust Fund (SCHDTF), 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/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 SCHDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

- Increases employee contribution rates for the SCHDTF 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 SCHDTF based on the proportionate amount of the annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF 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.

Other Postemployment Benefits

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

Net Position

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

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

Fund Balance

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

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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

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

Encumbrances

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

Use of Estimates

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

Reclassifications

Certain reclassifications were made to fiscal year 2018 financial statements in order to conform to the fiscal year 2019 financial statements presentation.

Change in Accounting Principle

During fiscal year 2019, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which revises and establishes new criteria for identification of fiduciary activities. The District previously reported the pupil activity in an agency fund. Beginning in fiscal year 2018-2019, such activity has been more appropriately combined in the Pupil Activity Special Revenue Fund. Accordingly, the Pupil Activity Special Revenue Fund reports a restated beginning balance of \$106,230.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

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

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

NOTE 3 CASH AND DEPOSITS

Cash and Deposits

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

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, \$2,606,639 of the District's total bank balance of \$2,856,639 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

NOTE 4 DUE FROM OTHER GOVERNMENTS

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

As of June 30, 2019, the District had \$48,139 due from Federal, State, and Local governments, reflected as, intergovernmental receivables in the accompanying basic financial statements.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables/Payables

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

Interfund receivable and payable balances at June 30, 2019, were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Pupil Activity Fund	\$ 24,812
Food Service Fund	General Fund	4,467
		\$ 29,279

Interfund Transfers

Interfund transfers for the year ended June 30, 2019, were as follows:

Transfer In	Transfer Out	Amount
Capital Reserve Capital Projects Fund	General Fund	\$ 75,000
Food Service Fund	General Fund	40,000
Pupil Activity Fund	General Fund	44,000
		\$ 159,000

These transfers were made to set aside funds for capital projects and subsidize the Food Service and the Pupil Activity Funds.

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance 06/30/2018	Additions	Deletions	Balance 06/30/2019
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 128,621	\$ -	\$ -	\$ 128,621
Total capital assets not being depreciated	<u>128,621</u>	<u>-</u>	<u>-</u>	<u>128,621</u>
Capital assets being depreciated				
Buildings and Improvements	24,747,257	-	-	24,747,257
Land Improvements	105,750	-	-	105,750
Equipment	825,556	17,500	-	843,056
Vehicles	616,555	-	-	616,555
Total capital assets being depreciated	<u>26,295,118</u>	<u>17,500</u>	<u>-</u>	<u>26,312,618</u>
Less accumulated depreciation for:				
Buildings and Improvements	4,407,763	375,119	-	4,782,882
Land Improvements	74,025	10,575	-	84,600
Equipment	562,507	88,872	-	651,379
Vehicles	505,982	26,737	-	532,719
Total accumulated depreciation	<u>5,550,277</u>	<u>501,303</u>	<u>-</u>	<u>6,051,580</u>
Total Capital Assets being depreciated, net	<u>20,744,841</u>	<u>(483,803)</u>	<u>-</u>	<u>20,261,038</u>
Governmental Activities, net	<u>\$ 20,873,462</u>	<u>\$ (483,803)</u>	<u>\$ -</u>	<u>\$ 20,389,659</u>

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

<i>Governmental activities:</i>	
Instructional Program	\$ 372,421
General Administration Supporting Services	72,101
Business Supporting Services	1,658
Operations and Maintenance	12,325
Student Transportation Services	33,002
Food Services	9,795
Total depreciation expense – governmental activities	<u>\$ 501,303</u>

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 ACCRUED SALARIES AND BENEFITS

The teachers, administrators, and the administrative staff are employed under nine and twelve month contracts. All District employees are paid on a twelve-month basis; therefore, a difference exists between the actual amount of salaries earned under the contract and the amount paid. The difference between salaries earned and paid, including the District's share of benefits, has been accrued in the financial statements in the amount of \$340,688.

NOTE 8 OPERATING LEASES

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

NOTE 9 LONG-TERM LIABILITIES

Changes in Long-Term Debt

Long-term liability balances for the year ended June 30, 2019, were as follows:

	Beginning Balance 06/30/2018	Additions	Deletions	Ending Balance 06/30/2019	Due Within One Year
<i>Governmental Activities</i>					
G.O. Bonds Payable	\$ 3,525,000	\$ -	\$ 235,000	\$ 3,290,000	\$ 240,000
Compensated Absences	10,254	-	-	10,254	-
Total	\$ 3,535,254	\$ -	\$ 235,000	\$ 3,300,254	\$ 240,000

General Obligation Bonds Payable

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

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

	Principal	Interest	Totals
FY 2020	\$ 240,000	\$ 131,086	\$ 371,086
FY 2021	250,000	120,955	370,955
FY 2022	265,000	110,307	375,307
FY 2023	275,000	99,142	374,142
FY 2024	285,000	87,563	372,563
FY 2025 - FY 2029	1,610,000	247,492	1,857,492
FY 2030	365,000	7,547	372,547
	\$ 3,290,000	\$ 804,092	\$ 4,094,092

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NOTE 10 RESTRICTED NET POSITION

The BEST grant agreement requires the District to increase annually a BEST Capital Renewal Reserve which is set aside for the specific purpose of replacing major public school facility systems with projected life cycles similar as to those of roofs, interior finishes, electrical systems and heating, ventilating, and air conditioning systems. The balance at June 30, 2019 is \$305,680.

NOTE 11 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments 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, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 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 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of the lesser of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase

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Reserve (AIR) for the SCHDTF. 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 employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions provisions as of June 30, 2018. Eligible employees, the District, and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

	January 1, 2019 Through June 30, 2019	January 1, 2018 Through December 31, 2018
	<u>10.15%</u>	<u>10.15%</u>
Employer Contribution Rate		
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	<u>-1.02%</u>	<u>-1.02%</u>
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	<u>5.50%</u>	<u>5.50%</u>
Total Employer Contribution Rate to the SCHDTF	<u><u>19.13%</u></u>	<u><u>19.13%</u></u>

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-414, 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 SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes. For Fiscal Year 2019, the portion of the direct distribution allocated to the District was \$56,484.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$431,219, for the year ended June 30, 2019.

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

The net pension liability for the SCHDTF was measured as of 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 contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the District reported a liability of \$6,955,094 for 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:

Sargent School District's proportionate share of the net position liability	\$	6,955,093
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Sargent School District		951,013
Total	\$	7,906,106

At December 31, 2018, the District's proportion was 0.0392 percent, which was a decrease of 0.0062 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of (\$1,029,236) and revenue of \$56,484 for 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 235,925	\$ -
Net difference between projected and actual earnings on pension plan investments	379,096	-
Changes of assumptions or other inputs	1,298,199	4,325,321
Changes in proportion and differences between contributions recognized and proportionate share of contributions	(1,105,895)	150,953
Contributions subsequent to the measurement date	229,561	-
Total	\$ 1,036,886	\$ 4,476,274

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\$229,561 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2020	\$ (816,212)
2021	(1,855,521)
2022	(1,204,589)
2023	207,373
2024	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00 percent compounded annually
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07	0% through 2019 and 1.5% Compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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

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

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity- Large Cap	21.20%	4.30%
U.S. Equity- Small Cap	7.42%	4.80%
Non U.S. Equity- Developed	18.55%	5.20%
Non U.S. Equity- Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution 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

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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 end of middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF’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 District proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 8,842,213	\$ 6,955,093	\$ 5,371,484

Pension plan fiduciary net position- Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan description. Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration

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of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

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

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

PERA Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$22,992 for the year ended June 30, 2019.

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 liability of \$347,365 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of 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

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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 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the District proportion was 0.0255 percent, which was a decrease of 0.0002 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019 the District recognized OPEB expense of \$4,590. At June 30, 2019, District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,261	\$ 529
Net difference between projected and actual earnings on OPEB plan investments	1,998	-
Changes of assumptions or other inputs	2,436	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	4,420
Contributions subsequent to the measurement date	12,240	-
Total	\$ 17,935	\$ 4,949

\$12,240 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	(89)
2021	(89)
2022	(89)
2023	1,298
2024	(274)
Thereafter	(11)

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent

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Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025

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

The actuarial assumptions used in December 31, 2017, 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 were adopted by the PERA Board during the November 18, 2016, Board Meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$736	\$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium- free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

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

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Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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

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

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

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

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

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The following health care cost assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

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

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	<u>\$337,772</u>	<u>\$347,365</u>	<u>\$358,397</u>

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 388,671	\$ 347,365	\$ 312,052

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 13 DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions, and investment earnings. For the year ended June 30, 2019, program members contributed \$25,610 for the Voluntary Investment Program.

NOTE 14 JOINT VENTURES AND RELATED PARTIES

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

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

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

San Luis Valley Board of Cooperative Educational Services (BOCES)

The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The Board of BOCES is selected from the elected members of the District Boards. The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is approximately 7% at June 30, 2019. Complete separate financial statements may be obtained from BOCES.

Colorado School Districts' Self-Insurance Pool

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

As the District did not exercise oversight responsibility, nor has sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool are recorded as expenditures in the General Fund. The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2019. Complete separate financial statements may be obtained from the Colorado School Districts' Self-Insurance Pool.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

NOTE 16 TABOR EMERGENCY RESERVE

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

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

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

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

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

NOTE 17 RISK MANAGEMENT

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

SARGENT SCHOOL DISTRICT RE-33J

REQUIRED SUPPLEMENTARY INFORMATION

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

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SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Intermediate Sources	\$ 200	\$ 24,257	\$ 92	\$ (24,165)
State Sources	2,447,319	2,551,880	2,631,522	79,642
Local Sources	1,437,674	1,539,279	1,480,942	(58,337)
TOTAL REVENUES	3,885,193	4,115,416	4,112,556	(2,860)
EXPENDITURES				
Instructional Program	1,851,287	2,150,578	2,000,856	149,722
Student Supporting Services	186,351	187,567	183,161	4,406
Instructional Staff Supporting Services	184,831	137,523	134,634	2,889
General Administration Supporting Services	258,241	268,962	268,992	(30)
School Administration Supporting Services	224,560	234,359	273,714	(39,355)
Business Supporting Services	138,017	139,188	140,736	(1,548)
Operations and Maintenance of Plant Services	594,113	617,597	617,129	468
Student Transportation Services	162,172	168,823	182,057	(13,234)
Central Supporting Services	51,230	51,819	37,847	13,972
TOTAL EXPENDITURES	3,650,802	3,956,416	3,839,126	117,290
Excess (deficiency) of revenues over expenditures	234,391	159,000	273,430	114,430
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	(166,350)	(159,000)	(159,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(166,350)	(159,000)	(159,000)	-
Net change in Fund Balance	68,041	-	114,430	114,430
Fund Balance, Beginning of Year	-	-	1,676,360	1,676,360
Fund Balance, End of Year	\$ 68,041	\$ -	\$ 1,790,790	\$ 1,790,790

Notes to Required Supplementary Information

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

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROGRAMS FUND
For the Year Ended June 30, 2019

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>(NEGATIVE)</u>
REVENUES				
Federal Sources	\$ 114,311	\$ 101,277	\$ 110,535	\$ 9,258
State Sources	62,470	106,339	22,946	(83,393)
Local Sources	-	7,500	9,755	2,255
TOTAL REVENUES	<u>176,781</u>	<u>215,116</u>	<u>143,236</u>	<u>(71,880)</u>
EXPENDITURES				
Instructional Program	178,134	160,897	91,040	69,857
Student Supporting Services	15,432	30,908	30,908	-
Instructional Staff Supporting Services	8,612	4,706	4,706	-
Operations and Maintenance of Plant Services	7,261	7,261	6,821	440
Central Supporting Services	(32,658)	11,344	9,755	1,589
TOTAL EXPENDITURES	<u>176,781</u>	<u>215,116</u>	<u>143,230</u>	<u>71,886</u>
Net Change in Fund Balance	-	-	6	6
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 6</u>

Notes to Required Supplementary Information

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

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SCDTF PENSION PLAN
For the Years Ended June 30,

	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0392786652%	0.0454531481%	0.0469017857%	0.0489168619%	0.0509478525%	0.0531885519%
\$	6,955,093	\$ 14,697,933	\$ 13,964,476	\$ 7,481,489	\$ 6,905,145	\$ 6,784,185
District's proportionate share of the net pension liability (asset)	951,013	-	-	-	-	-
State's proportionate share of the net pension liability (asset) associated with the District						
Total	\$ 7,906,106	\$ 14,697,933	\$ 13,964,476	\$ 7,481,489	\$ 6,905,145	\$ 6,784,185
District's covered payroll	\$ 2,159,358	\$ 2,096,700	\$ 2,105,037	\$ 2,131,786	\$ 2,130,348	\$ 2,144,198
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	322%	701%	663%	351%	324%	316%
Plan fiduciary net position as a percentage of the total pension liability	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

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

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

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA SCDTIF PENSION PLAN

For the Years Ended June 30,

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 431,219	\$ 404,645	\$ 383,777	\$ 378,405	\$ 358,216	\$ 341,974	\$ 326,829	\$ 305,785	\$ 277,096	\$ 265,538
Contributions in relation to the contractually required contribution	(431,219)	(404,645)	(383,777)	(378,405)	(358,216)	(341,974)	(326,829)	(305,785)	(277,096)	(265,538)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	2,254,152	2,142,344	2,087,585	2,133,805	2,117,125	2,138,956	2,116,694	2,131,556	2,074,289	2,144,230
Contributions as a percentage of covered payroll	19.13%	18.89%	18.38%	17.73%	16.92%	15.99%	15.44%	14.35%	13.36%	12.38%

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

	2019	2018	2017
District's proportion of the net OPEB liability	0.0255313310%	0.0258263054%	0.0259550600%
District's proportionate share of the net OPEB liability (asset)	\$ 347,365	\$ 335,639	\$ 336,516
District's covered payroll	\$ 2,159,358	\$ 2,096,700	\$ 2,105,037
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16%	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	17.0%	17.5%	20.1%

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

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

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 22,992	\$ 21,852	\$ 21,293	\$ 21,765	\$ 21,595	\$ 21,817	\$ 21,590	\$ 21,742	\$ 21,158	\$ 21,871
Contributions in relation to the contractually required contribution	(22,992)	(21,852)	(21,293)	(21,765)	(21,595)	(21,817)	(21,590)	(21,742)	(21,158)	(21,871)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	2,254,152	2,142,344	2,087,585	2,133,805	2,117,125	2,138,956	2,116,694	2,131,556	2,074,289	2,144,230
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

SARGENT SCHOOL DISTRICT RE-33J
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2019

NOTE 1 NET PENSION LIABILITY

Changes in assumptions or other inputs effective for the December 31st measurement period for the following years ended:

2018 The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.78%

2017 The discount rate was lowered from 5.26% to 4.78%.

2016

- The price inflation assumption was lowered from 2.80% to 2.40%.
- The long-term expected rate of return assumption was lowered from 7.50% to 7.25% per year.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for actively working people, RP-2014 Healthy Annuitant Mortality Table projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

2015 There were no changes in assumptions or other inputs this measurement period compared to the prior year.

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Changes in assumptions or other inputs effective for the December 31st measurement period for the following years ended:

2018 There were no changes in assumptions or other inputs effective this measurement period compared to the prior year.

2017 The Medicare Part A premiums were raised from 3.00% to 3.25%, as well as the gradual percentage rose from 4.25% in 2023 to 5.00% in 2025.

SARGENT SCHOOL DISTRICT RE-33J

SUPPLEMENTARY INFORMATION

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

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

SPECIAL REVENUE FUNDS

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

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

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

CAPITAL PROJECTS FUNDS

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

SARGENT SCHOOL DISTRICT RE-33J
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL RESERVE CAPITAL PROJECTS FUND</u>	<u>TOTAL NONMAJOR FUNDS</u>
	<u>PUPIL ACTIVITY FUND</u>	<u>FOOD SERVICE FUND</u>			
ASSETS					
Cash and Cash Equivalents	\$ 121,385	\$ 56,505	\$ 36,954	\$ 214,844	
Due from Other Governments	-	-	-	-	
Due from Other Funds	-	4,467	-	4,467	
Inventory	-	5,900	-	5,900	
TOTAL ASSETS	<u>\$ 121,385</u>	<u>\$ 66,872</u>	<u>\$ 36,954</u>	<u>\$ 225,211</u>	
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 8,932	\$ 20	\$ 34,610	\$ 43,562	
Accrued Salaries and Benefits	-	16,348	-	16,348	
Due to Other Funds	24,812	-	-	24,812	
Unearned Grant Revenue	-	-	-	-	
TOTAL LIABILITIES	<u>33,744</u>	<u>16,368</u>	<u>34,610</u>	<u>84,722</u>	
FUND BALANCE					
Nonspendable Fund Balance	-	5,900	-	5,900	
Committed Fund Balance:					
Pupil Activities	87,641	-	-	87,641	
Food Service	-	44,604	-	44,604	
Capital Projects	-	-	2,344	2,344	
TOTAL FUND BALANCE	<u>87,641</u>	<u>50,504</u>	<u>2,344</u>	<u>140,489</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 121,385</u>	<u>\$ 66,872</u>	<u>\$ 36,954</u>	<u>\$ 225,211</u>	

SARGENT SCHOOL DISTRICT RE-33J
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

	<u>SPECIAL REVENUE FUNDS</u>			TOTAL NONMAJOR FUNDS
	<u>PUPIL ACTIVITY FUND</u>	<u>FOOD SERVICE FUND</u>	<u>CAPITAL RESERVE CAPITAL PROJECTS FUND</u>	
REVENUES				
Federal Sources	\$ -	\$ 70,804	\$ -	\$ 70,804
State Sources	-	2,352	-	2,352
Local Sources	135,178	79,104	12	214,294
TOTAL REVENUES	<u>135,178</u>	<u>152,260</u>	<u>12</u>	<u>287,450</u>
EXPENDITURES				
Instructional Program	197,767	-	-	197,767
Student Supporting Services	-	-	-	-
Instructional Staff Supporting Services	-	-	-	-
Central Supporting Services	-	-	-	-
Food Services	-	193,804	-	193,804
Facilities Acquisition and Construction	-	-	74,929	74,929
TOTAL EXPENDITURES	<u>197,767</u>	<u>193,804</u>	<u>74,929</u>	<u>466,500</u>
Excess (deficiency) of revenues over expenditures	<u>(62,589)</u>	<u>(41,544)</u>	<u>(74,917)</u>	<u>(179,050)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	44,000	40,000	75,000	159,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>44,000</u>	<u>40,000</u>	<u>75,000</u>	<u>159,000</u>
Net Change in Fund Balance	<u>(18,589)</u>	<u>(1,544)</u>	<u>83</u>	<u>(20,050)</u>
Fund Balance, Beginning of Year, As Previously Stated	16,756	52,048	2,261	71,065
Change in Accounting Principle	<u>89,474</u>	<u>-</u>	<u>-</u>	<u>89,474</u>
Fund Balance, Beginning of Year, Restated	<u>106,230</u>	<u>52,048</u>	<u>2,261</u>	<u>160,539</u>
Fund Balance, End of Year	<u>\$ 87,641</u>	<u>\$ 50,504</u>	<u>\$ 2,344</u>	<u>\$ 140,489</u>

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
For the Year Ended June 30, 2019

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Local Sources	\$ 206,000	\$ 206,000	\$ 135,178	\$ (70,822)
TOTAL REVENUES	<u>206,000</u>	<u>206,000</u>	<u>135,178</u>	<u>(70,822)</u>
EXPENDITURES				
Instructional Program	250,000	250,000	197,767	52,233
TOTAL EXPENDITURES	<u>250,000</u>	<u>250,000</u>	<u>197,767</u>	<u>52,233</u>
Excess (deficiency) of revenues over expenditures	<u>(44,000)</u>	<u>(44,000)</u>	<u>(62,589)</u>	<u>(18,589)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	44,000	44,000	44,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>44,000</u>	<u>44,000</u>	<u>44,000</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(18,589)</u>	<u>(18,589)</u>
Fund Balance, Beginning of Year, As Previously Stated	-	-	16,756	16,756
Change in Accounting Principle	<u>-</u>	<u>-</u>	<u>89,474</u>	<u>89,474</u>
Fund Balance, Beginning of Year, Restated	<u>-</u>	<u>-</u>	<u>106,230</u>	<u>106,230</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,641</u>	<u>\$ 87,641</u>

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Year Ended June 30, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Federal Sources	\$ 70,931	\$ 71,000	\$ 70,804	\$ (196)
State Sources	2,653	2,000	2,352	352
Local Sources	81,005	89,305	79,104	(10,201)
TOTAL REVENUES	154,589	162,305	152,260	(10,045)
EXPENDITURES				
Supporting Services				
Food Services				
Salaries	84,893	93,094	87,041	6,053
Fringe Benefits	26,069	28,611	29,751	(1,140)
Food and Commodities	86,177	75,800	71,358	4,442
Supplies and Materials	4,000	4,000	5,654	(1,654)
Other Operating	800	800	-	800
TOTAL EXPENDITURES	201,939	202,305	193,804	8,501
Excess (deficiency) of revenues over expenditures	(47,350)	(40,000)	(41,544)	(1,544)
OTHER FINANCING SOURCES				
Transfers from Other Funds	47,350	40,000	40,000	-
TOTAL OTHER FINANCING SOURCES (USES)	47,350	40,000	40,000	-
Net Change in Fund Balance	-	-	(1,544)	(1,544)
Fund Balance, Beginning of Year	-	-	52,048	52,048
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,504</u>	<u>\$ 50,504</u>

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE CAPITAL PROJECTS FUND
For the Year Ended June 30, 2019

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Local Sources	\$ 10	\$ 10	\$ 12	\$ 2
TOTAL REVENUES	<u>10</u>	<u>10</u>	<u>12</u>	<u>2</u>
EXPENDITURES				
Facilities Acquisition and Construction	75,010	75,010	74,929	81
TOTAL EXPENDITURES	<u>75,010</u>	<u>75,010</u>	<u>74,929</u>	<u>81</u>
Excess (deficiency) of revenues over expenditures	<u>(75,000)</u>	<u>(75,000)</u>	<u>(74,917)</u>	<u>83</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of fixed assets	-	-	-	-
Transfers from Other Funds	75,000	75,000	75,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Net Change in Fund Balance	-	-	83	83
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>2,261</u>	<u>2,261</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,344</u>	<u>\$ 2,344</u>

SARGENT SCHOOL DISTRICT RE-33J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BOND REDEMPTION FUND
For the Year Ended June 30, 2019

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Local Sources	\$ 377,200	\$ 377,200	\$ 383,886	\$ 6,686
TOTAL REVENUES	<u>377,200</u>	<u>377,200</u>	<u>383,886</u>	<u>6,686</u>
EXPENDITURES				
Debt Service	<u>377,200</u>	<u>377,200</u>	<u>376,006</u>	<u>1,194</u>
TOTAL EXPENDITURES	<u>377,200</u>	<u>377,200</u>	<u>376,006</u>	<u>1,194</u>
Net Change in Fund Balance	-	-	7,880	7,880
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>417,102</u>	<u>417,102</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,982</u>	<u>\$ 424,982</u>



Wall,
Smith,
Bateman Inc.

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sargent School District RE-33J (the District), as of and for the year ended June 30, 2019, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 13, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the Colorado Department of Education Financial Policies and Procedures Manual insofar as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

January 13, 2020

Certified Public Accountants

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



Colorado Department of Education
Auditors Integrity Report
 District: 2750 - Sargent RE-33
 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	1,676,365		3,729,695		3,615,269		1,790,790
18 Risk Mgmt Sub-Fund of General Fund	-5		105,393		105,389		0
19 Colorado Preschool Program Fund	0		118,469		118,469		0
Subs. Total	1,676,360		3,953,557		3,839,127		1,790,790
11 Charter School Fund	0		0		0		0
20,26-29 Special Revenue Fund	0		0		0		0
06 Supplemental Cap Const. Tech. Main Fund	0		0		0		0
21 Food Service Spec Revenue Fund	52,049		192,261		193,805		50,504
22 Govt Designated-Purpose Grants Fund	0		143,236		143,230		6
23 Pupil Activity Special Revenue Fund	106,230		179,178		197,767		87,641
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	417,103		383,887		376,007		424,982
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	2,261		75,012		74,929		2,344
46 Supplemental Cap Const. Tech. Main Fund	0		0		0		0
Totals	2,254,003		4,927,131		4,824,865		2,356,268
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60,65-69 Other Internal Service Funds	0		0		0		0
Totals	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	0		0		0		0
79 GASB 34/Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	0		0		0		0

FINAL