

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020**

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2020**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>9</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>10</b>
<b>GOVERNMENTAL FUNDS</b>	
<b>BALANCE SHEET</b>	<b>11</b>
<b>RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION</b>	<b>12</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES</b>	<b>13</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>14</b>
<b>AGENCY FUND</b>	
<b>STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES</b>	<b>15</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>16</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS</b>	<b>45</b>
<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND CONTRIBUTIONS</b>	<b>46</b>
<b>BUDGETARY COMPARISON SCHEDULE – GENERAL FUND</b>	<b>47</b>
<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>48</b>

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2020**

**SUPPLEMENTARY INFORMATION**

<b>COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS</b>	<b>50</b>
--	-----------

<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS</b>	<b>51</b>
--	-----------

**BUDGETARY COMPARISON SCHEDULES**

<b>HEAD START FUND</b>	<b>52</b>
------------------------	-----------

<b>GRANTS FUND</b>	<b>53</b>
--------------------	-----------

<b>FOOD SERVICE FUND</b>	<b>54</b>
--------------------------	-----------

<b>BOND REDEMPTION FUND</b>	<b>55</b>
-----------------------------	-----------

<b>BUILDING FUND</b>	<b>56</b>
----------------------	-----------

<b>CAPITAL RESERVE FUND</b>	<b>57</b>
-----------------------------	-----------

<b>STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY</b>	<b>58</b>
--	-----------

**COMPLIANCE SECTION**

**SINGLE AUDIT**

<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENTAL AUDITING STANDARDS</i></b>	<b>61</b>
--	-----------

<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>66</b>
---	-----------

<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>67</b>
--	-----------

<b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</b>	<b>74</b>
---	-----------

<b>CORRECTIVE ACTION PLAN</b>	<b>75</b>
-------------------------------	-----------

<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>79</b>
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**STATE COMPLIANCE**

<b>AUDITORS INTEGRITY REPORT</b>	<b>81</b>
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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida School District Number R-32-J as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida School District Number R-32-J as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### *Correction of an error*

As described in Note 9, Salida School District Number R-32-J restated its net position for governmental activities and its fund balances for the Head Start Fund, the Grants Fund, and the Food Service Fund due to corrections of errors relating to adjustments for proper cash reconciliations and proper revenue recognition. Our opinion was not modified with respect to these misstatements.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salida School District Number R-32-J's basic financial statements. The supplementary information and the auditors integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020, on our consideration of the Salida School District Number R-32-J's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Salida School District Number R-32-J's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Broomfield, Colorado  
November 24, 2020

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

As management of Salida School District R-32-J (the District) we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of District for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

**Financial Highlights**

For the year ended June 30, 2020 the General Fund's fund balance increased by \$115,595. The General Fund operations of the District are funded primarily by tax revenue received under the State School Finance Act (the Act) in the amount of \$6,058,835 and total revenue for the year was \$15,246,802.

**Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

*Government-Wide Financial Statements*

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

The statement of net position presents information on all the District's assets and liabilities, with the difference between the two being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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

The statement of activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

*Fund Financial Statements*

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

*Notes to Financial Statements*

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

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Government-Wide Financial Analysis**

For the year ended June 30, 2020 the District's net position is \$289,212. The negative unrestricted net position of (\$28,338,519) is due primarily to the adoption of GASB Statement No. 68, resulting from a net pension liability of \$21,581,303, representing the District's proportionate share of PERA's net pension liability. The District's net investment in capital assets is \$25,567,391. In addition, \$49,773 is restricted for Colorado Preschool and \$158,598 for Salida Head Start; \$1,855,656 is restricted for debt service; \$580,513 is restricted for Capital Renewal; and \$415,800 is restricted for emergencies under TABOR.

	Governmental Activities	
	2019-2020	2018-2019
<b>ASSETS</b>		
Current Assets	\$ 10,395,325	\$ 8,657,178
Capital Assets, Net of Accumulated Depreciation	45,832,784	46,148,319
Total Assets	56,228,109	54,805,497
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 3,202,424	 8,073,944
 <b>LIABILITIES</b>		
Current Liabilities	2,491,755	1,556,064
Noncurrent Liabilities	43,448,436	48,594,543
Total Liabilities	45,940,191	50,150,607
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 13,201,130	 16,961,830
 <b>NET POSITION</b>		
Net Investment in Capital Assets	25,567,391	24,793,611
Restricted	3,060,340	3,041,279
Unrestricted	(28,338,519)	(32,067,886)
Total Net Position	\$ 289,212	\$ (4,232,996)

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

Governmental activities increased the District's net position by \$3,832,865, primarily due to PERA pension related items.

	Governmental Activities	
	2019-2020	2018-2019
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$ 142,892	\$ 318,048
Operating Grants and Contributions	3,381,240	2,481,979
Capital Grants and Contributions	-	-
General Revenues:		
Property Taxes	8,183,633	7,307,274
Specific Ownership Taxes	999,154	1,001,629
State Equalization	6,318,428	5,864,662
Grants and Contributions not Restricted to Specific Programs	444,815	383,011
Other Revenues	492,087	264,874
Earnings on Investments	73,509	117,963
Total Revenues	20,035,758	17,739,440
<b>EXPENSES</b>		
Instruction	6,980,655	7,884,418
Supporting Services	7,954,314	6,724,776
Food Service	585,675	597,595
Interest and Fiscal Charges	682,249	763,317
Total Expenses	16,202,893	15,970,106
<b>CHANGE IN NET POSITION</b>	3,832,865	1,769,334
Net Position - Beginning of Year, Restated	(3,543,653)	(6,002,330)
<b>NET POSITION - END OF YEAR</b>	\$ 289,212	\$ (4,232,996)

**Financial Analysis of the District's Funds**

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

As of the end of the current fiscal year the District's governmental funds reported a combined ending fund balance of \$7,572,873: General Fund \$4,491,320; Bond Redemption Fund \$1,915,861; and Other Governmental Funds \$1,165,692. This is an increase of \$945 from the previous fiscal year primarily from an increase in local and state revenues and an increase in salaries.

**General Fund Budgetary Highlights**

General Fund revenues budgeted was \$14,743,183 and actual revenues were \$15,246,802. The District budgeted for General Fund expenditures of \$14,500,197, for the year ended June 30, 2020. Actual expenditures were \$14,033,702. The differences between the original and final budgets were to adjust for the changes in total instructional costs net of reserves and an increase to local revenues. The District ended the year with an increase in the fund balance of \$115,595.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Capital Assets**

For the year ended June 30, 2020, the District's significant capital asset activity included installation of three modular buildings to increase capacity and other miscellaneous projects. Please see Note 5 in the financial statement for more information.

**Long-Term Debt**

As of June 30, 2020, the District had total long-term debt of \$20,806,137, a decrease of \$1,299,897 from the previous year. Please see Note 6 in the financial statement for more information.

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

COVID-19 has decreased student enrollment in the District and the District is preparing for decrease in Revenue for FY20-21. The State also cut the District Budget by \$1.7 million and considerations were made to reduce expenditures for Capital Projects and Internal Transfers to create a stable Budget. The COVID-19 relief money allowed the District to create a remote learning environment for our Students.

**Requests for Information**

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

Salida School District R-32-J  
349 East 9th Street  
Salida, CO 81201

## **BASIC FINANCIAL STATEMENTS**

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 9,460,101
Accounts Receivable	18,362
Taxes Receivable	701,047
Grants Receivable	205,715
Inventories	10,100
Capital Assets, Not Being Depreciated	1,325,225
Capital Assets, Net of Accumulated Depreciation	44,507,559
Total Assets	56,228,109
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions, Net of Accumulated Amortization	3,046,109
OPEB, Net of Accumulated Amortization	156,315
Total Deferred Outflows of Resources	3,202,424
<b>LIABILITIES</b>	
Accounts Payable	79,522
Accrued Salaries and Benefits	1,642,401
Unearned Revenues	709,627
Accrued Interest Payable	60,205
Noncurrent Liabilities:	
Due Within One Year	1,470,105
Due in More Than One Year	19,336,032
Net Pension Liability	21,581,303
Net OPEB Liability	1,060,996
Total Liabilities	45,940,191
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions, Net of Accumulated Amortization	12,995,327
OPEB, Net of Accumulated Amortization	205,803
Total Deferred Inflows of Resources	13,201,130
<b>NET POSITION</b>	
Net Investment in Capital Assets	25,567,391
Restricted For:	
Emergencies	415,800
Preschool	49,773
Capital Renewal	580,513
Debt Service	1,855,656
Head Start	158,598
Unrestricted	(28,338,519)
Total Net Position	\$ 289,212

See accompanying Notes to Financial Statements.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>				
Primary Government:				
Governmental Activities:				
Instruction	\$ 6,980,655	\$ -	\$ 3,046,983	\$ -
Supporting Services	7,954,314	18,050	46,558	-
Food Service	585,675	124,842	287,699	-
Interest and Fiscal Charges	682,249	-	-	-
	<u>\$ 16,202,893</u>	<u>\$ 142,892</u>	<u>\$ 3,381,240</u>	<u>\$ -</u>
Total Governmental Activities				(12,678,761)
 <b>GENERAL REVENUES</b>				
				8,183,633
				999,154
				6,318,428
				444,815
				73,509
				492,087
Total General Revenues				<u>16,511,626</u>
 <b>CHANGE IN NET POSITION</b>				
				3,832,865
				<u>(3,543,653)</u>
				 Net Position - Beginning of Year
				<u>\$ 289,212</u>
				 NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General	Bond Redemption	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and Investments	\$ 6,786,104	\$ 1,807,985	\$ 866,012	\$ 9,460,101
Accounts Receivable	-	-	18,362	18,362
Taxes Receivable	520,888	180,159	-	701,047
Grants Receivable	5,983	-	199,732	205,715
Interfund Receivable	-	-	524,489	524,489
Inventories	-	-	10,100	10,100
<b>Total Assets</b>	<b>\$ 7,312,975</b>	<b>\$ 1,988,144</b>	<b>\$ 1,618,695</b>	<b>\$ 10,919,814</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 36,705	-	\$ 42,817	\$ 79,522
Accrued Salaries and Benefits	1,430,530	-	211,871	1,642,401
Interfund Payables	483,836	-	40,653	524,489
Unearned Revenues	660,763	-	48,864	709,627
<b>Total Liabilities</b>	<b>2,611,834</b>	<b>-</b>	<b>344,205</b>	<b>2,956,039</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Grant Revenue	-	-	108,798	108,798
Property Taxes	209,821	72,283	-	282,104
	209,821	72,283	108,798	390,902
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	-	-	10,100	10,100
Restricted For:				
Emergencies	415,800	-	-	415,800
Preschool	49,773	-	-	49,773
Capital Renewal	-	-	580,513	580,513
Debt Service	-	1,915,861	-	1,915,861
Head Start	-	-	158,598	158,598
Assigned to:				
Grant Programs	-	-	38,016	38,016
Food Service	-	-	17,896	17,896
Capital Projects	-	-	402,000	402,000
Unassigned	4,025,747	-	(41,431)	3,984,316
<b>Total Fund Balances</b>	<b>4,491,320</b>	<b>1,915,861</b>	<b>1,165,692</b>	<b>7,572,873</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 7,312,975</b>	<b>\$ 1,988,144</b>	<b>\$ 1,618,695</b>	<b>\$ 10,919,814</b>

See accompanying Notes to Financial Statements.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

Total Fund Balances - Governmental Funds	\$ 7,572,873
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 governmental funds.	45,832,784
Long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes earned and grant revenue earned but not available as current financial resources.	390,902
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Accrued Interest Payable	(60,205)
Bonds Payable	(20,265,393)
Accrued Compensated Absences	(540,744)
Net Pension Liability	(21,581,303)
Pension-Related Deferred Outflows of Resources	3,046,109
Pension-Related Deferred Inflows of Resources	(12,995,327)
Net OPEB Liability	(1,060,996)
OPEB-Related Deferred Outflows of Resources	156,315
OPEB-Related Deferred Inflows of Resources	<u>(205,803)</u>
Total Net Position of Governmental Activities	<u>\$ 289,212</u>

See accompanying Notes to Financial Statements.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	General	Bond Redemption	Nonmajor Governmental Funds	Total
<b>REVENUES</b>				
Sources:				
Local	\$ 7,765,290	\$ 2,155,159	\$ 418,549	\$ 10,338,998
County	164,873	-	-	164,873
State	7,107,332	-	588,559	7,695,891
Federal	209,307	-	1,484,654	1,693,961
Total Revenues	<u>15,246,802</u>	<u>2,155,159</u>	<u>2,491,762</u>	<u>19,893,723</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	7,625,954	-	844,330	8,470,284
Supporting Services	6,407,748	-	1,344,936	7,752,684
Food Service	-	-	584,208	584,208
Capital Outlay	-	-	1,037,977	1,037,977
Debt Service:				
Principal	-	1,327,337	-	1,327,337
Interest and Fiscal Charges	-	744,288	-	744,288
Total Expenditures	<u>14,033,702</u>	<u>2,071,625</u>	<u>3,811,451</u>	<u>19,916,778</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,213,100	83,534	(1,319,689)	(23,055)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Assets	4,000	-	20,000	24,000
Transfers In	-	-	1,101,505	1,101,505
Transfers Out	(1,101,505)	-	-	(1,101,505)
Total Other Financial Sources (Uses)	<u>(1,097,505)</u>	<u>-</u>	<u>1,121,505</u>	<u>24,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	115,595	83,534	(198,184)	945
Fund Balances - Beginning of Year, Restated	<u>4,375,725</u>	<u>1,832,327</u>	<u>1,363,876</u>	<u>7,571,928</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 4,491,320</u>	<u>\$ 1,915,861</u>	<u>\$ 1,165,692</u>	<u>\$ 7,572,873</u>

See accompanying Notes to Financial Statements.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Governmental Funds \$ 945

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:

Depreciation Expense	(1,387,497)
Capital Outlay	1,073,905
Disposal of capital assets	(1,943)

Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This includes the changes in the following:

Property Tax:	(273)
Grant Revenue:	108,798

The repayment of long-term debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

1,327,337

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This is the effect of these differences in the treatment of long-term debt and related items:

Amortization of Bond Premiums	60,516
-------------------------------	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the changes in the following:

Accrued Interest Payable	1,523
Accrued Compensated Absences	(242,206)
Severance	154,250
Pension Expense	2,736,450
OPEB Expense	1,060
	1,060

Change in Net Position of Governmental Activities \$ 3,832,865

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2020**

	Pupil Activity
<b>ASSETS</b>	
Cash and Investments	\$ 426,129
<b>LIABILITIES</b>	
Held for Student Scholarships	\$ 58,171
Due to Student Groups	367,958
Total Liabilities	\$ 426,129

*See accompanying Notes to Financial Statements.*

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Salida School District Number R-32-J (the District) conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the District's more significant policies.

**Reporting Entity**

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the District.

Based upon the application of this criteria, no additional organizations are included in the District's reporting entity.

**Government-Wide and Fund Financial Statements**

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

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

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

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

Additionally, the District reports the following fund type:

The *Agency Fund* is used to account for resources received to support each school's student activities and scholarship fundraising activities. The District holds all resources in a purely custodial capacity.

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

*Governmental* fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

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

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

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

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Receivables

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

Inventories

Food Service Fund inventories are recorded as an asset when individual items are purchased and as an expenditure when consumed. Inventories are valued using the first-in, first-out method, and consist of purchased and donated commodities. Purchased inventories are recorded at cost. Donated inventories, received at no cost under a program supported by the federal government, are valued based upon the cost furnished by the federal government.

Capital Assets

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

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

Buildings and Improvements	7 – 50 Years
Land Improvements	15 – 25 Years
Equipment	5 – 20 Years

Accrued Salaries and Benefits

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

Unearned Revenues

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

Compensated Absences

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

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Compensated Absences (Continued)

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

Severance

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

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and refunding losses are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Debt issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Pensions

The District participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

Postemployment Benefits Other Than Pensions (OPEB)

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Deferred Inflows of Resources

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

Net Position/Fund Balances

In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. The Board of Education is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

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

Property Taxes

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

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss.

Subsequent Events

In July 2020, the District issued \$2,980,000 in convertible general obligation refunding bonds, Series 2020 with an interest rate of 1.9% to refund the District's Series 2012 bonds that had an average interest rate of 3.8%.

**NOTE 2 CASH AND INVESTMENTS**

At June 30, 2020, the District had the following cash and investments:

Cash	\$ 125
Deposits	2,249,683
Investments	7,636,422
Total	<u>\$ 9,886,230</u>

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

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

Cash and Investments	\$ 9,460,101
Fiduciary Fund Cash and Investments	<u>426,129</u>
Total	<u><u>\$ 9,886,230</u></u>

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2020, the District had bank deposits of \$1,881,851 collateralized with securities held by the financial institutions' agents but not in the District's name.

**Investments**

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

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

**Interest Rate Risk**

State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

**Credit Risk**

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

**Concentration of Credit Risk**

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

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

**Local Government Investment Pools**

At June 30, 2020, the District had \$31,406 and \$7,548,230 invested in the Colorado Local Government Liquid Asset Trust (Colotrust) and the Colorado Surplus Asset Fund Trust (CSAFE), respectively. The pools are investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The pools are measured at the net asset value per share, with each share valued at \$1. The pools are rated AAAM by Standard and Poor's. Investments of the pools are limited to those allowed by state statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**NOTE 3 INTERFUND BALANCES AND TRANSACTIONS**

**Interfund Balances**

At June 30, 2020, the General Fund owed \$483,836 to the Capital Reserve Fund and the Grants Fund owed \$48,864 to the Capital Reserve Fund.

**Interfund Transfers**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Total</u>
Food Service	General Fund	40,000
Building Fund	General Fund	498,991
Capital Reserve	General Fund	562,514
Total		<u>\$ 1,101,505</u>

Annually, the General Fund subsidizes the operations of the Food Service Fund and finances capital purchases through transfers to the Capital Reserve Fund. In addition, the General Fund financed capital purchases in the Building Fund.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 CAPITAL ASSETS**

Activity for capital assets during the year ended June 30, 2020, was as follows.

<u>Governmental Activities</u>	<u>Balance - June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance - June 30, 2020</u>
Capital Assets, Not Being Depreciated:				
Land and Sites	\$ 776,030	\$ -	\$ -	\$ 776,030
Construction in Progress	<u>6,506</u>	<u>542,689</u>		<u>549,195</u>
Total Capital Assets, Not Being Depreciated	782,536	542,689	-	1,325,225
Capital Assets, Being Depreciated:				
Buildings and Improvements	55,142,661	299,855		55,442,516
Land Improvements	648,512	38,847		687,359
Transportation Equipment	1,253,060	128,959	(68,000)	1,314,019
Other Equipment	<u>1,029,001</u>	<u>63,555</u>		<u>1,092,556</u>
Total Capital Assets, Being Depreciated	58,073,234	531,216	(68,000)	58,536,450
Less Accumulated Depreciation For:				
Buildings and Improvements	(11,267,508)	(1,189,615)		(12,457,123)
Land Improvements	(205,461)	(57,441)		(262,902)
Transportation Equipment	(533,947)	(71,981)	66,057	(539,871)
Other Equipment	<u>(700,535)</u>	<u>(68,460)</u>		<u>(768,995)</u>
Total Accumulated Depreciation	<u>(12,707,451)</u>	<u>(1,387,497)</u>	66,057	<u>(14,028,891)</u>
Capital Assets, Being Depreciated, Net	<u>45,365,783</u>	<u>(1,387,497)</u>	<u>(1,943)</u>	<u>44,507,559</u>
Governmental Activities Capital Assets, Net	<u>\$ 46,148,319</u>	<u>\$ (844,808)</u>	<u>\$ (1,943)</u>	<u>\$ 45,832,784</u>

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

Instruction	\$ 5,172
Supporting Services	1,380,858
Food Services	1,467
Total	<u>\$ 1,387,497</u>

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2020.

<u>Governmental Activities</u>	Balance - June 30, 2019	Additions	Payments	Balance - June 30, 2020	Due Within One Year
2012 G.O. Bonds	\$ 8,975,000	\$ -	\$ (505,000)	\$ 8,470,000	\$ 515,000
2012 Bond Premium	263,686	-	(60,516)	203,170	25,340
2010 G.O. Debt	12,414,560	-	(822,337)	11,592,223	855,905
Compensated Absences	298,538	394,291	(152,085)	540,744	73,860
Severance	154,250	-	(154,250)	-	-
Total	<u>\$ 22,106,034</u>	<u>\$ 394,291</u>	<u>\$ (1,694,188)</u>	<u>\$ 20,806,137</u>	<u>\$ 1,470,105</u>

**General Obligation Debt**

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

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

Pursuant to the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (the "Rule"), and the District's existing disclosure undertaking executed for the benefit of the holders of the above bonds issued by Salida School District No. R-32-J, in Chaffe and Fremont Counties, Colorado, the District covenanted to file annual financial statements ("Audits") with the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board ("MSRB"). In addition to filing the required Audits, the District was also required under the Previous Undertaking to file with EMMA its annual financial information and operating data (the "Operating Data"). The District did not timely file its Audit for the fiscal years ended June 30, 2013; June 30, 2014; June 30, 2015; June 30, 2016; June 30, 2017; June 30, 2018 and June 30, 2019. Such Audits were filed on July 7, 2020 and are now available on EMMA. Also, the District failed to timely file its Operating Data for the fiscal years ended: June 30, 2013; June 30, 2014; June 30, 2015, June 30, 2016, June 30, 2017; June 30, 2018 and June 30, 2019. This information is also now available on EMMA.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

Payments to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,370,905	\$ 698,548	\$ 2,069,453
2022	1,420,843	649,834	2,070,677
2023	1,472,207	599,290	2,071,497
2024	1,520,056	546,919	2,066,975
2025	1,574,450	492,659	2,067,109
2026-2030	8,751,788	1,572,374	10,324,162
2031-2035	3,951,974	230,126	4,182,100
Total	<u>\$ 20,062,223</u>	<u>\$ 4,789,752</u>	<u>\$ 24,851,975</u>

**Compensated Absences**

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

The District, in conjunction with other surrounding districts, created the Mountain Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. During the year ended June 30, 2020, the District contributed \$116,675 to the BOCES. The BOCES financial statements can be obtained at their administrative office located at 1713 Mount Lincoln Drive West, Leadville, Colorado 80461.

**NOTE 6 DEFINED BENEFIT PENSION PLAN**

**General Information**

**Plan Description**

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

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**General Information (Continued)**

**Benefits Provided**

*Benefits provided as of December 31, 2019.* 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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% 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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance 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% or 100% 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, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00% for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**General Information (Continued)**

employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25% based on the parameters specified in 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**

Eligible employees of 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 8.75% of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 Through June 30, 2020
Employer contribution rate	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
<b>Total employer contribution rate to the SCHDTF</b>	<b>19.38%</b>

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

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SDTF. The District's contributions to the SDTF for the year ended June 30, 2020, were \$1,762,718, equal to the required contributions.

**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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the District reported a net pension liability of \$21,581,303, representing its proportionate share of the net pension liability that reflected a reduction for support from the state as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the state as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

School's Proportionate Share of Net Pension Liability	\$ 21,581,303
The State's Proportionate Share of the Net Pension Liability as a Nonemployer Contributing Entity Associated with the School	2,737,313
Proportionate Share of the Net Pension Liability	\$ 24,318,616

At December 31, 2019, the District's proportion was 0.14445262% which was an increase of .0019781526% from its proportion measured as of December 31, 2018.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

For the year ended June 30, 2020, District recognized pension expense of \$1,818,839 and revenue of \$86,585 for support from the State as a nonemployer contributing entity. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,176,195	\$ -
Changes of Assumptions and Other Inputs	616,113	9,789,074
Net Difference Between Projected and Actual Earnings on Plan Investments	-	2,556,520
Changes in Proportion	336,190	649,733
Contributions Subsequent to the Measurement Date	917,611	-
Total	\$ 3,046,109	\$ 12,995,327

District contributions subsequent to the measurement date of \$917,611 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2021	\$ (5,984,254)
2022	(4,127,548)
2023	111,626
2024	(869,653)
2025	-
Total	\$ (10,869,829)

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 - 9.70%
Long-Term Investment Rate of Return, Net of Pension Plan	
Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Future Post Retirement Benefit Increases:	
	1.25%
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	Compounded Annually Annually
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

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% factor applied to male rates and a 55% factor applied to female rates.

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

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

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

The actuarial assumptions used in the December 31, 2018, valuation 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.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

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

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

<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%.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

Discount Rate

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

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

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

Discount Rate (Continued)

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% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the  
 Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate Share of the Net Pension Liability	<u>\$ 28,621,428</u>	<u>\$ 21,581,303</u>	<u>\$ 15,670,504</u>

Pension Plan Fiduciary Net Position

Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 POSTEMPLOYMENT HEALTHCARE BENEFITS**

**General Information**

**Plan Description**

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

**Benefits Provided**

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

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

**Contributions**

As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the District's contributions to the District Division Trust Fund (SDTF) (see Note 5) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The District's apportionment to the HCTF for the year ended June 30, 2020, was \$92,772, equal to the required amount.

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

At June 30, 2020, the District reported a liability of \$1,060,996 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

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

At December 31, 2019, the District's proportion was 0.0943947886% which was an increase of 0.017838726% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$50,475. At June 30, 2020, the 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
Differences Between Expected and Actual Experience	\$ 3,521	\$ 178,286
Changes of Assumptions and Other Inputs	8,802	
Net Difference Between Projected and Actual Earnings on Plan Investments	-	17,709
Changes in Proportion	95,697	9,808
Contributions Subsequent to the Measurement Date	48,295	-
Total	\$ 156,315	\$ 205,803

District contributions subsequent to the measurement date of \$48,295 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$ (18,125)
2022	(18,123)
2023	(12,995)
2024	(16,840)
2025	(29,863)
Therafter	(1,837)
Total	\$ (97,783)

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

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

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50%
Long-Term Investment Rate of Return, Net of Plan	
Investment Expenses, Including Price Inflation	7.25%
Discount Rate	7.25%
Healthcare Cost Trend Rates:	
Service-Based Premium Subsidy	0.00%
Medicare Plans	5.60% in 2019, gradually decreasing to 4.50% in 2029
Medicare Part A Premiums:	3.50% for 2019, gradually increasing to 4.50% in 2029

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 the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as 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 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$601	\$240
Kaiser Permanente Medicare Advantage HMO	605	237

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020**

**NOTE 7 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

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

The 2019 Medicare Part A premium is \$437 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:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	571

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.

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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, 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.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

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

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 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 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

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

- 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% of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs 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 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- 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:

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

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

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

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 Net OPEB Liability to Changes in the Discount Rate**

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate 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, 2019, 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.
- Benefit payments and contributions were assumed to be made at the middle of the year.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

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

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% 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%.

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate Share of the Net OPEB Liability	<u>\$ 1,199,669</u>	<u>\$ 1,060,996</u>	<u>\$ 942,401</u>

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Initial PERACare Medicare Trend Rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare Trend Rate	3.50%	4.50%	5.50%
Initial Medicare Part A Trend Rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A Trend Rate	3.50%	4.50%	5.50%
Proportionate Share of the Net OPEB Liability	<u>\$ 1,035,792</u>	<u>\$ 1,060,996</u>	<u>\$ 1,090,120</u>

**OPEB Plan Fiduciary Net Position**

Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2020, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

**Capital Renewal Reserve**

The District was awarded two Building Excellent Schools Today (BEST) grants from the state of Colorado to construct and improve school buildings. In accordance with the related state statutes, the District is required to establish a capital renewal reserve for the purpose of replacing major facility systems such as roofs, interior finishes, electrical systems and heating, ventilating, and air conditioning systems. At a minimum, the District must contribute \$100 per pupil in the impacted facilities annually to the capital renewal reserve. At June 30, 2020, the reserve was reported as restricted fund balance in the Capital Reserve Fund, in the amount of \$580,513.

**TABOR Amendment**

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

The amendment is subject to many interpretations, but the District believes it is in substantial compliance with the amendment. In accordance with the amendment, the District has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2020, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$415,800.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 CORRECTION OF AN ERROR**

The District restated its net position for governmental activities and its fund balances for the Head Start Fund, Grants Fund, and the Food Service Fund due to corrections of errors relating to adjustments for proper cash reconciliations and proper revenue recognition. In aggregate, net position of the governmental activities and fund balances of the Head Start Fund, Grants Fund, and the Food Service Fund at June 30, 2019 were restated. The below table summarizes the restatements.

Opinion Unit	Original Net Position / Fund Balance as of June 30, 2019	Restatement amount	Restated Net Position/ Fund Balance as of June 30, 2019
Head Start Fund (nonmajor governmental fund) restatement:			
Restatement for cash correction		270,441	
Total Head Start Fund (nonmajor governmental fund) restatement:	(2,981)	270,441	267,460
Grants Fund (nonmajor governmental fund) restatement:			
Restatement for cash correction		8,925	
Restatement for revenue correction		402,222	
Total Grants Fund (nonmajor governmental fund) restatement:	(367,851)	411,147	43,296
Food Service Fund (nonmajor governmental fund) restatement:			
Restatement for cash correction		7,755	
Total Food Service Fund (nonmajor governmental fund) restatement:	149,221	7,755	156,976
Total Nonmajor Governmental Funds restatement:			
Restatement for cash correction		287,121	
Restatement for revenue correction		402,222	
Total Nonmajor Governmental Funds restatement:	674,533	689,343	1,363,876
Total Governmental Activities restatement:			
Restatement for cash correction		287,121	
Restatement for revenue correction		402,222	
Total Governmental Activities restatement:	(4,232,996)	689,343	(3,543,653)

**REQUIRED SUPPLEMENTARY INFORMATION**

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY AND CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF  
COLORADO SCHOOL DIVISION TRUST FUND  
JUNE 30, 2020**

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
<u>Proportionate Share of the Net Pension Liability</u>							
District's Proportion of the Net Pension Liability	0.1444552620%	0.1424771094%	0.1504065926%	0.1504065926%	0.1554713240%	0.1560696455%	0.1600700181%
District's Proportionate Share of the Net Pension Liability	\$ 21,581,303	\$ 25,228,499	\$ 47,806,882	\$ 44,781,859	\$ 23,778,241	\$ 21,152,679	\$ 20,416,888
District's Covered Payroll	\$ 8,487,585	\$ 7,736,800	\$ 6,819,674	\$ 6,750,516	\$ 6,775,403	\$ 6,538,195	\$ 6,452,933
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	254%	326%	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65%	57%	44%	43%	59%	63%	64%
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<u>District Contributions</u>							
Statutorily Required Contributions	\$ 1,762,718	\$ 1,556,310	\$ 1,331,472	\$ 1,244,517	\$ 1,193,136	\$ 1,138,738	\$ 1,030,687
Contributions in Relation to the Statutorily Required Contribution	(1,762,718)	(1,556,310)	(1,331,472)	(1,244,517)	(1,193,136)	(1,138,738)	(1,030,687)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 9,095,339	\$ 8,037,025	\$ 7,048,875	\$ 6,769,979	\$ 6,727,654	\$ 6,741,745	\$ 6,448,488
Contributions as a Percentage of Covered Payroll	19.38%	19.36%	18.89%	18.38%	17.73%	16.89%	15.98%

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

See accompanying Notes to Required Supplementary Information.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND CONTRIBUTIONS**  
**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF**  
**COLORADO HEALTH CARE TRUST FUND**  
**JUNE 30, 2020**

	<u>December 31,</u> 2019	<u>December 31,</u> 2018	<u>December 31,</u> 2017
<u>Proportionate Share of the Net OPEB Liability</u>			
District's Proportion of the Net OPEB Liability	0.0943947886%	0.0926106159%	0.0840019896%
District's Proportionate Share of the Net OPEB Liability	\$ 1,060,996	\$ 1,260,010	\$ 1,091,690
District's Covered Payroll	\$ 8,487,585	\$ 7,736,800	\$ 6,819,674
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	13%	18%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24%	17%	18%
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>District Contributions</u>			
Statutorily Required Contributions	\$ 92,772	\$ 82,981	\$ 71,899
Contributions in Relation to the Statutorily Required Contribution	<u>(92,772)</u>	<u>(82,981)</u>	<u>(71,899)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 9,095,339	\$ 8,037,025	\$ 7,048,875
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%

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

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**JUNE 30, 2020**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 5,379,103	\$ 6,086,265	\$ 6,058,835	\$ (27,430)
Specific Ownership Taxes	900,000	900,000	989,067	89,067
Transportation Fees	-	-	18,050	18,050
Tuition	-	-	-	-
Investment Income	50,975	50,975	52,046	1,071
BOCES Reimbursement	400,979	410,866	444,815	33,949
Other	273,715	255,006	202,477	(52,529)
Total Local Sources	<u>7,004,772</u>	<u>7,703,112</u>	<u>7,765,290</u>	<u>62,178</u>
County Sources	<u>56,700</u>	<u>56,500</u>	<u>164,873</u>	<u>108,373</u>
State Sources:				
State Equalization	6,372,720	6,299,031	6,318,428	19,397
Transportation	95,500	117,716	46,558	(71,158)
Grants	579,200	453,630	742,346	288,716
Total State Sources	<u>7,047,420</u>	<u>6,870,377</u>	<u>7,107,332</u>	<u>236,955</u>
Federal Sources:				
CRF Funds	-	-	23,440	23,440
Medicaid	113,194	113,194	185,867	72,673
Total Federal Sources	<u>113,194</u>	<u>113,194</u>	<u>209,307</u>	<u>96,113</u>
Total Revenues	<u>14,222,086</u>	<u>14,743,183</u>	<u>15,246,802</u>	<u>503,619</u>
<b>EXPENDITURES</b>				
Instruction	7,475,231	7,899,127	7,625,954	273,173
Supporting Services:				
Students	585,169	562,167	578,739	(16,572)
Instructional Staff	511,265	612,816	680,551	(67,735)
General Administration	992,490	997,677	742,048	255,629
School Administration	745,291	984,889	1,033,170	(48,281)
Business Services	338,683	378,314	429,382	(51,068)
Operations and Maintenance	1,472,672	1,850,570	1,790,466	60,104
Student Transportation	378,954	386,486	362,640	23,846
Central Support	585,270	610,936	565,781	45,155
Food Service Operations	-	-	46,108	(46,108)
Other Support	103,230	114,501	110,583	3,918
Other Uses	63,565	63,656	68,280	(4,624)
Reserves	-	39,058	-	39,058
Total Expenditures	<u>13,251,820</u>	<u>14,500,197</u>	<u>14,033,702</u>	<u>466,495</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	970,266	242,986	1,213,100	970,114
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Assets	5,000	5,000	4,000	1,000
Transfers Out	(761,512)	(1,470,184)	\$ (1,101,505)	368,679
Total Other Financing Sources (Uses)	<u>(756,512)</u>	<u>(1,465,184)</u>	<u>(1,097,505)</u>	<u>369,679</u>
<b>NET CHANGE IN FUND BALANCE</b>	213,754	(1,222,198)	115,595	1,339,793
Fund Balance - Beginning of Year	<u>2,868,914</u>	<u>4,375,725</u>	<u>4,375,725</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 3,082,668</u>	<u>\$ 3,153,527</u>	<u>\$ 4,491,320</u>	<u>\$ 1,339,793</u>

See accompanying Notes to Required Supplementary Information.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

**NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

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

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

- By May 31, management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All budgets lapse at fiscal year-end.

**Legal Compliance**

For the year ended June 30, 2020, the Head Start Fund expenditures exceeded the budgeted amounts by \$194,000. This may be a violation of State statutes.

For the year ended June 30, 2020, the Building Fund had a deficit fund balance of \$(41,431), due to timing of accounts payable at year-end.

## **SUPPLEMENTARY INFORMATION**

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020**

<b>ASSETS</b>	<u>Head Start</u>	<u>Grants</u>	<u>Food Service</u>	<u>Capital Reserve</u>	<u>Building</u>	<u>Total</u>
Cash and Investments	\$ 267,460	\$ 102,274	\$ 36,868	\$ 458,024	\$ 1,386	\$ 866,012
Accounts Receivable	-	-	18,362	-	-	18,362
Grant Receivable	108,798	90,934	-	-	-	199,732
Interfund Receivable	-	-	-	524,489	-	524,489
Inventories	-	-	10,100	-	-	10,100
	<u>-</u>	<u>-</u>	<u>10,100</u>	<u>-</u>	<u>-</u>	<u>10,100</u>
Total Assets	<u>\$ 376,258</u>	<u>193,208</u>	<u>65,330</u>	<u>982,513</u>	<u>1,386</u>	<u>\$ 1,618,695</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts Payable	-	\$ -	\$ -	\$ -	\$ 42,817	\$ 42,817
Retainage Payable	-	-	-	-	-	-
Accrued Salaries and Benefits	108,862	65,675	37,334	-	-	211,871
Interfund Payables	-	40,653	-	-	-	40,653
Unearned Revenues	-	48,864	-	-	-	48,864
	<u>-</u>	<u>48,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,864</u>
Total Liabilities	<u>108,862</u>	<u>155,192</u>	<u>37,334</u>	<u>-</u>	<u>42,817</u>	<u>344,205</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Grant Revenue	<u>108,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,798</u>
<b>FUND BALANCES</b>						
Nonspendable Inventories	-	-	10,100	-	-	10,100
Restricted for:						
Capital Renewal	-	-	-	580,513	-	580,513
Head Start	158,598	-	-	-	-	158,598
Assigned to:						
Grant Programs	-	38,016	-	-	-	38,016
Food Service	-	-	17,896	-	-	17,896
Capital Projects	-	-	-	402,000	-	402,000
Unassigned	-	-	-	-	(41,431)	(41,431)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,431)</u>	<u>(41,431)</u>
Total Fund Balances	<u>158,598</u>	<u>38,016</u>	<u>27,996</u>	<u>982,513</u>	<u>(41,431)</u>	<u>1,165,692</u>
Total Liabilities and Fund Balances	<u>\$ 376,258</u>	<u>\$ 193,208</u>	<u>\$ 65,330</u>	<u>\$ 982,513</u>	<u>\$ 1,386</u>	<u>\$ 1,618,695</u>

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2020**

	<u>Head Start</u>	<u>Grants</u>	<u>Food Service</u>	<u>Capital Reserve</u>	<u>Building</u>	<u>Total</u>
<b>REVENUES</b>						
Local Sources	\$ 289,610	\$ -	\$ 127,529	\$ 1,387	\$ 23	\$ 418,549
State Sources		581,046	7,513	-	-	588,559
Federal Sources	994,726	209,742	280,186	-	-	1,484,654
Total Revenues	<u>1,284,336</u>	<u>790,788</u>	<u>415,228</u>	<u>1,387</u>	<u>23</u>	<u>2,491,762</u>
<b>EXPENDITURES</b>						
Current:						
Instruction	446,924	397,406	-	-	-	844,330
Supporting Services	946,274	398,662	-	-	-	1,344,936
Food Services	-	-	584,208	-	-	584,208
Capital Outlay	-	-	-	497,530	540,447	1,037,977
Total Expenditures	<u>1,393,198</u>	<u>796,068</u>	<u>584,208</u>	<u>497,530</u>	<u>540,447</u>	<u>3,811,451</u>
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>	(108,862)	(5,280)	(168,980)	(496,143)	(540,424)	(1,319,689)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from Sale of Assets				20,000	-	20,000
Transfers In		-	40,000	562,514	498,991	1,101,505
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>582,514</u>	<u>498,991</u>	<u>1,121,505</u>
<b>NET CHANGE IN FUND BALANCES</b>	(108,862)	(5,280)	(128,980)	86,371	(41,433)	(198,184)
Fund Balance - Beginning of Year, Restated	<u>267,460</u>	<u>43,296</u>	<u>156,976</u>	<u>896,142</u>	<u>2</u>	<u>1,363,876</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 158,598</u>	<u>\$ 38,016</u>	<u>\$ 27,996</u>	<u>\$ 982,513</u>	<u>\$ (41,431)</u>	<u>\$ 1,165,692</u>

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
BUDGETARY COMPARISON SCHEDULE  
HEAD START FUND  
YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Local Sources:				
Tuition	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	-	-
Other	-	-	289,610	289,610
Federal Sources:				
Grants	1,158,439	1,158,439	994,726	(163,713)
Total Revenues	<u>1,158,439</u>	<u>1,158,439</u>	<u>1,284,336</u>	<u>125,897</u>
<b>EXPENDITURES</b>				
Instruction:				
Salaries	274,209	274,209	298,765	(24,556)
Employee Benefits	120,756	120,756	125,522	(4,766)
Purchased Services				-
Supplies and Materials	11,200	11,200	22,637	(11,437)
Total Instruction	<u>406,165</u>	<u>406,165</u>	<u>446,924</u>	<u>(40,759)</u>
Supporting Services:				
Salaries	371,752	371,752	334,066	37,686
Employee Benefits	152,257	152,257	121,268	30,989
Purchased Services	209,965	209,965	473,782	(263,817)
Supplies and Materials	18,300	18,300	15,356	2,944
Other	-	-	1,802	(1,802)
Total Supporting Services	<u>752,274</u>	<u>752,274</u>	<u>946,274</u>	<u>(194,000)</u>
Reserves	-	-	-	-
Total Expenditures	<u>1,158,439</u>	<u>1,158,439</u>	<u>1,393,198</u>	<u>(234,759)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	(108,862)	(108,862)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	
Transfers Out	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(108,862)	(108,862)
Fund Balance - Beginning of Year	<u>(2,981)</u>	<u>(2,981)</u>	<u>267,460</u>	<u>270,441</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ (2,981)</u>	<u>\$ (2,981)</u>	<u>\$ 158,598</u>	<u>\$ 161,579</u>

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
BUDGETARY COMPARISON SCHEDULE  
GRANTS FUND  
YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Local Grants	\$ -	\$ -	\$ -	\$ -
State Grants	605,938	605,938	581,046	(24,892)
Federal Grants	198,413	198,413	209,742	11,329
Total Revenues	<u>804,351</u>	<u>804,351</u>	<u>790,788</u>	<u>(13,563)</u>
<b>EXPENDITURES</b>				
Instruction:				
Salaries	-	-	158,013	(158,013)
Employee Benefits	-	-	50,518	(50,518)
Purchased Services	-	-	22,328	(22,328)
Supplies and Materials	-	-	18,654	(18,654)
Other	-	-	147,893	(147,893)
Total Instruction	<u>-</u>	<u>-</u>	<u>397,406</u>	<u>(397,406)</u>
Supporting Services:				
Salaries	1,962,791	1,962,791	231,149	1,731,642
Employee Benefits	-	-	52,165	(52,165)
Purchased Services	-	-	69,783	(69,783)
Supplies and Materials	-	-	27,684	(27,684)
Other	-	-	17,881	(17,881)
Total Supporting Services	<u>1,962,791</u>	<u>1,962,791</u>	<u>398,662</u>	<u>1,564,129</u>
Reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,962,791</u>	<u>1,962,791</u>	<u>796,068</u>	<u>1,166,723</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,158,440)	(1,158,440)	(5,280)	1,153,160
<b>OTHER FINANCING SOURCES</b>				
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,158,440)	(1,158,440)	(5,280)	1,153,160
Fund Balance - Beginning of Year, Restated	<u>(517,337)</u>	<u>(367,851)</u>	<u>43,296</u>	<u>411,147</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ (1,675,777)</u></u>	<u><u>\$ (1,526,291)</u></u>	<u><u>\$ 38,016</u></u>	<u><u>\$ 1,564,307</u></u>

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
BUDGETARY COMPARISON SCHEDULE  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Local Sources:				
Charges for Services	\$ 184,070	\$ 184,070	\$ 124,842	\$ (59,228)
Investment Income	30	40	52	12
Other Income	2,000	2,000	2,635	
State Sources:				
State Grants	6,941	6,941	7,513	572
Federal Sources:				
School Breakfast and Lunch Program	224,952	254,952	280,186	25,234
Total Revenues	<u>417,993</u>	<u>448,003</u>	<u>415,228</u>	<u>(33,410)</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	228,562	267,272	226,549	40,723
Employee Benefits	90,056	102,896	87,086	15,810
Purchased Services	12,700	12,700	11,198	1,502
Supplies and Materials	248,712	281,462	259,375	22,087
Reserves	145,815	122,893	-	122,893
Total Expenditures	<u>725,845</u>	<u>787,223</u>	<u>584,208</u>	<u>203,015</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(307,852)	(339,220)	(168,980)	169,605
<b>OTHER FINANCING SOURCES</b>				
Transfers In	190,000	190,000	40,000	(150,000)
<b>NET CHANGE IN FUND BALANCE</b>	(117,852)	(149,220)	(128,980)	19,605
Fund Balance - Beginning of Year, Restated	117,555	149,221	156,976	7,755
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ (297)</u>	<u>\$ 1</u>	<u>\$ 27,996</u>	<u>\$ 27,360</u>

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
BUDGETARY COMPARISON SCHEDULE  
BOND REDEMPTION FUND  
YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 2,034,220	\$ 2,100,000	\$ 2,135,158	\$ 35,158
Investment Income	20,000	20,000	20,001	1
Total Revenues	<u>2,054,220</u>	<u>2,120,000</u>	<u>2,155,159</u>	<u>35,159</u>
<b>EXPENDITURES</b>				
Debt Service:				
Principal	1,327,337	1,327,337	1,327,337	-
Interest and Fiscal Charges	741,788	741,788	744,288	(2,500)
Reserves	<u>1,788,058</u>	<u>1,883,201</u>	<u>-</u>	<u>1,883,201</u>
Total Expenditures	<u>3,857,183</u>	<u>3,952,326</u>	<u>2,071,625</u>	<u>1,880,701</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,802,963)	(1,832,326)	83,534	1,915,860
Fund Balance - Beginning of Year	<u>1,802,963</u>	<u>1,832,327</u>	<u>1,832,327</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 1,915,861</u></u>	<u><u>\$ 1,915,860</u></u>

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
BUDGETARY COMPARISON SCHEDULE  
BUILDING FUND  
YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Local Sources:				
Investment Income	\$ 40	\$ 40	\$ 23	\$ (17)
State Sources:				
State Grants				-
Total Revenues	<u>40</u>	<u>40</u>	<u>23</u>	<u>(17)</u>
<b>EXPENDITURES</b>				
Capital Outlay	77,012	650,000	540,447	109,553
Reserves	76	42	-	42
Total Expenditures	<u>77,088</u>	<u>650,042</u>	<u>540,447</u>	<u>109,595</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(77,048)	(650,002)	(540,424)	109,578
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>77,012</u>	<u>650,000</u>	<u>498,991</u>	<u>(151,009)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(36)	(2)	(41,433)	(41,431)
Fund Balance - Beginning of Year	<u>36</u>	<u>2</u>	<u>2</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (41,431)</u>	<u>\$ (41,431)</u>

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
BUDGETARY COMPARISON SCHEDULE  
CAPITAL RESERVE FUND  
YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
<b>REVENUES</b>				
Local Sources:				
Investment Income	\$ 1,800	\$ 1,800	\$ 1,387	\$ (413)
Other	-	-	-	-
Total Revenues	<u>1,800</u>	<u>1,800</u>	<u>1,387</u>	<u>(413)</u>
<b>EXPENDITURES</b>				
Capital Outlay:				
Purchased Services	-	285,000	242,049	42,951
Supplies and Materials	-	89,057	80,348	8,709
Property	-	105,000	27,690	77,310
Buildings and Improvements	494,500	-	-	-
Equipment	-	168,146	147,443	20,703
Reserves	829,098	897,942	-	897,942
Total Expenditures	<u>1,323,598</u>	<u>1,545,145</u>	<u>497,530</u>	<u>1,047,615</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,321,798)	(1,543,345)	(496,143)	1,047,202
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Assets	20,000	20,000	20,000	-
Transfers In	494,500	627,203	562,514	(64,689)
Total Other Financing Sources (Uses)	<u>514,500</u>	<u>647,203</u>	<u>582,514</u>	<u>(64,689)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(807,298)	(896,142)	86,371	982,513
Fund Balance - Beginning of Year	<u>827,298</u>	<u>896,142</u>	<u>896,142</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 982,513</u>	<u>\$ 982,513</u>

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
YEAR ENDED JUNE 30, 2020**

**AGENCY FUND**

	<u>Balances - June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances - June 30, 2020</u>
<b>ASSETS</b>				
Cash and Investments	<u>\$ 329,873</u>	<u>\$ 730,918</u>	<u>\$ (634,662)</u>	<u>\$ 426,129</u>
<b>LIABILITIES</b>				
Held for Student Scholarships	\$ 57,605	\$ 566		\$ 58,171
Due to Student Groups	<u>272,268</u>	<u>730,352</u>	<u>(634,662)</u>	<u>367,958</u>
Total Liabilities	<u>\$ 329,873</u>	<u>\$ 730,918</u>	<u>\$ (634,662)</u>	<u>\$ 426,129</u>

## **COMPLIANCE SECTION**

**SINGLE AUDIT**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida School District Number R-32-J as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, and have issued our report thereon dated November 24, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses or schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-003, 2020-004, 2020-005 and 2020-006 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Salida School District Number R-32-J's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-006.

### **Salida School District Number R-32-J's Response to Findings**

Salida School District Number R-32-J's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Salida School District Number R-32-J's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



### **CliftonLarsonAllen LLP**

Broomfield, Colorado  
November 24, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM, INTERNAL CONTROL OVER COMPLIANCE,  
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

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

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

We have audited the Salida School District Number R-32-J's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Salida School District Number R-32-J's major federal programs for the year ended June 30, 2020. The Salida School District Number R-32-J's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the Salida School District Number R-32-J complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-008. Our opinion on each major federal program is not modified with respect to this matter.

Salida School District Number R-32-J's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Salida School District Number R-32-J's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-007 and 2020-008 that we consider to be material weaknesses.

Salida School District Number R-32-J's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Salida School District Number R-32-J's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Salida School District Number R-32-J as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Salida School District Number R-32-J's basic financial statements. We issued our report thereon dated November 24, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Broomfield, Colorado  
November 24, 2020

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
<b>U.S. Department of Education</b>			
Passed through Colorado Department of Education:			
Title I	4010	84.010	\$ 147,736
Title III-A English Language Acquisition Language Grants	4365	84.365	1,327
Supporting Effective Instruction	4367	84.367	17,791
Title IV-A Student Support and Academic Enrichment	4424	34.424	11,864
Title I-A School Improvements Grants	5010	84.010	<u>31,024</u>
Total U.S. Department of Education			<u>209,742</u>
<b>U.S. Department of Agriculture</b>			
Child Nutrition Cluster:			
Passed through Colorado Department of Human Services:			
Donated Commodities		10.555	29,658
Passed through Colorado Department of Education:			
School Breakfast Program	4553	10.553	24,865
National School Lunch Program	4555	10.555	<u>171,531</u>
Total Child Nutrition Cluster			<u>226,054</u>
Total U.S. Department of Agriculture			<u>226,054</u>
<b>U.S. Department of Health and Human Services</b>			
Direct Program:			
Head Start		93.600	<u>1,371,257</u>
Total U.S. Department of Health and Human Services			<u>1,371,257</u>
<b>U.S. Department of Treasury</b>			
Passed through Colorado Department of Education:			
Coronavirus Relief Fund (CRF): K-12	4012	21.019	<u>23,440</u>
Total U.S. Department of Treasury			<u>23,440</u>
Total Federal Financial Assistance			<u>\$ 1,830,493</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?          x     yes                 no
  - Significant deficiency(ies) identified?                 yes          x     none reported
3. Noncompliance material to financial statements noted?                 yes          x     no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified?          x     yes                 no
  - Significant deficiency(ies) identified?                 yes          x     none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?          x     yes                 no

***Identification of Major Federal Programs***

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
93.600	Head Start
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>    750,000    </u>
Auditee qualified as low-risk auditee?	<u>    x    </u> yes <u>          </u> no

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

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**Section II – Financial Statement Findings**

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**2020-001 – Property Tax Revenues**

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**Criteria or specific requirement:** Revenue earned from property tax levies should be recorded in the period they are earned.

**Condition:** Salida School District did not record year end adjustment for tax revenues for the year ended June 30, 2020.

**Context:** For the fiscal year ending June 30, 2020, the District did not have a process in place for calculating property tax receivable and therefore the balances presented in the unadjusted trial balances required significant adjustments. Total adjustments were approximately \$416,000 for the General Fund and \$160,000 for the Bond Redemption Fund.

**Cause:** The District did not have a process for calculating these year-end adjustments.

**Effect:** Revenues, Accounts Receivable, and Deferred Inflows of Resources were all understated for the General Fund and the Bond Fund.

**Repeat Finding:** No.

**Recommendation:** We recommend that the District create a process to reconcile property tax revenue to ensure that appropriate revenue is being recognized.

**Views of responsible officials:** There is no disagreement with the audit finding.

**2020-002 – Grant revenue recognition**

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**Criteria or specific requirement:** For reimbursement based grants and on a modified accrual basis of accounting, revenue should be recognized as the reimbursable expenditure is incurred.

**Condition:** The District did not accrue revenue for the year ended June 30, 2019 for a drawdown payment received in July of 2019.

**Context:** For the fiscal year ending June 30, 2019, the District had incurred \$402,222 in expenses and should subsequently have recorded revenue in the same amount. However, the District treated this grant on the cash basis, which resulted in understate revenues and accounts receivable for the year ended June 31, 2019. This required a prior period adjustment to restate beginning fund balance and beginning net position.

**Cause:** The District treated accounting for grant activity under a cash basis.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

**Effect:** Accounting treatment is not in compliance with US GAAP.

**Repeat Finding:** No.

**Recommendation:** We recommend that the District use modified accrual accounting for grant activity.

**Views of responsible officials:** There is no disagreement with the audit finding.

**2020-003 – Payroll Liabilities**

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**Criteria or specific requirement:** Per US GAAP, in order to meet the requirements of accrual based accounting, expenses must be recorded in the period in which they are incurred.

**Condition:** The District improperly excluded a liability relating to payroll for the year ended June 30, 2020.

**Context:** The District did not record an expense in the amount of \$243,996 for payroll expenses incurred in fiscal year 2020, but paid until fiscal year 2021, for payroll relating to grants. This resulted in correcting entries to the Colorado Preschool Program Fund, Fund 19, which is included in the General Fund, for \$69,459; to the Grants Fund, Fund 22, for \$65,675; and to the Head Start Fund, Fund 29, for \$108,996.

**Cause:** The District treated accounting for grant related payroll under a cash basis.

**Effect:** Accounting treatment is not in compliance with US GAAP.

**Repeat Finding:** No.

**Recommendation:** We recommend that the District use modified accrual accounting for grant activity.

**Views of responsible officials:** There is no disagreement with the audit finding.

**2020-004 – SEFA Reporting**

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**Criteria or specific requirement:** The Schedule of Expenditures of Federal Awards (SEFA) must report expenses incurred during the reporting period.

**Condition:** The District reported incorrect balances relating to the Head Start program.

**Context:** For the fiscal year ended June 30, 2019, the District reported total cash receipts for the Head Start grant as opposed to expenditures incurred. As a result, an additional \$267,669 of expenditures were added to the amount reported on the SEFA for the fiscal year ended June 30, 2020 to include previously excluded amounts from the SEFA for the fiscal year ended June 30, 2020.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

**Cause:** The District treated accounting for grant activity under a cash basis.

**Effect:** Accounting treatment is not in compliance with US GAAP.

**Repeat Finding:** No.

**Recommendation:** We recommend that the use modified accrual accounting for grant activity.

**Views of responsible officials:** There is no disagreement with the audit finding.

**2020-005 – Cash Reconciliations**

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**Criteria or specific requirement:** Accurate balances must be reported on the financial statements.

**Condition:** The District reported incorrect cash balances in the financial statements for the fiscal year ended June 30, 2019, which impacted incorrect amounts being reported for the fiscal year ended June 30, 2020 trial balances as well.

**Context:** The District had an ongoing variance on the monthly bank reconciliation for multiple bank accounts, dating back to the fiscal year ending June 30, 2019. As a result, incorrect cash balances were reported for the year ending June 30, 2019 and also were incorrect per the unaudited trial balances for fiscal year ended June 30, 2020.

**Cause:** The District did not reconcile bank accounts properly.

**Effect:** Cash was improperly presented on the June 30, 2019 financial statements. This resulted in a prior period adjustment for the year ending June 30, 2020 in the amount of \$295,250.

**Repeat Finding:** No.

**Recommendation:** We recommend that the District complete bank reconciliations properly and timely and ensure that they are reviewed by a separate individual who has the knowledge and background in accounting to appropriately review the reconciliation. Any variances in the bank reconciliation should be resolved each month to identify any issues each month.

**Views of responsible officials:** There is no disagreement with the audit finding.

**2020-006 – Bond Covenants**

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting, Noncompliance

**Criteria or specific requirement:** Bond covenants are to be met by the District pursuant to bond requirements.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

**Condition:** The District failed to timely file its annual financial statements ("audits") for the fiscal years ended: June 30, 2013; 2014; 2015; 2016; 2017; 2018 and 2019 with the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board ("MSRB"), per requirements of the Securities and Exchange Commission Rule 15c12-12 and the District's existing disclosure requirements for its bonds. The District also did not timely file its operating data for the fiscal years ended: June 30, 2013; 2014; 2015; 2016; 2017; 2018 and 2019, per requirements of the bonds. The annual financial statements and operating data requirements have since been filed on July 7, 2020 and available on EMMA.

**Context:** Failure to meet debt covenants could result in defaulting on the loan and the debt becoming due.

**Cause:** Lack of understanding of the requirements of the bond covenants could have contributed to this finding.

**Effect:** The District was not in compliance with bond covenants during the years noted.

**Repeat Finding:** No.

**Recommendation:** We recommend reviewing the debt agreements in order to identify any other requirement that the District needs to meet and adding these steps to a checklist for year-end reporting.

**Views of responsible officials:** There is no disagreement with the audit finding.

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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**2020-007**

**Federal Agency:** U.S. Department of Health and Human Services

**State Department/Agency:** None.

**Federal Program:** Head Start

**CFDA Number:** 93.600

**Award Period:** July 1, 2019 through June 30, 2020

**Compliance Requirement:** Reporting

**Type of Finding:** Material Weakness in Internal Control over Compliance

**Criteria or specific requirement:** Per review of OMB 2020 Compliance Supplement, Part IV, SF-425 Federal Financial report is a required submission. There must be an element of control present in compiling this report.

**Condition:** From a sample of five reports, none of the reports had evidence of review or approval.

**Questioned costs:** None.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

**Context:** Of the five reports that were selected to be reviewed, none of the reports were reviewed or approved by another individual. This is an error rate of 100% for internal controls. A non-statistical sampling methodology was used to select the sample.

**Cause:** The District does not have a review/approval process in place for these reports.

**Effect:** Control requirement not being met.

**Repeat Finding:** No.

**Recommendation:** We recommend that the District increase training efforts to ensure there is staff sufficiently trained to complete the required reports if there is future staffing turnover.

**Views of responsible officials:** There is no disagreement with the audit finding.

**2020-008**

**Federal Agency:** U.S. Department of Health and Human Services

**State Department/Agency:** None

**Federal Program:** Head Start

**CFDA Number:** 93.600

**Award Period:** July 1, 2019 through June 30, 2020

**Compliance Requirement:** Allowable Costs and Cost Principles

**Type of Finding:** Material Weakness in Internal Control over Compliance, Other Matters

**Criteria or specific requirement:** Internal controls are to be in place for federal programs in accordance with 2 CFR Part 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS.

**Condition:** From a sample of sixty individual payroll transactions, sixteen selections did not have evidence documenting approval of salary being allocated to the federal grant.

**Questioned costs:** None.

**Context:** Sixteen out of the sample of sixty transactions did not have documentation to show approval of the allocation of employee salary to the federal grant. This was due to allocation percentages being updated for budgetary purposes during the middle of the year.

**Cause:** The budget is reviewed during the middle of the year and adjustments are made to the allocations to ensure actuals are in-line with budgets. However, the District does not have a process in place to document the approval of these adjustments.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

**Effect:** Compliance with the control requirement for this program is not being met and presents difficulty in determining if costs were appropriately allocated to the grant.

**Repeat Finding:** No.

**Recommendation:** We recommend that the District establishes a formal approval flow process for all allocation changes to federal grants.

**Views of responsible officials:** There is no disagreement with the audit finding.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2020**

**FINDINGS—FINANCIAL STATEMENT AUDIT**

There were no financial statement findings in the prior year.

**FINDINGS— FEDERAL AWARD PROGRAMS AUDITS**

There were no federal award program audit findings in the prior year.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2020**

U.S. Department of Health and Human Services

Salida School District Number R-32-J respectfully submits the following corrective action plan for the year ended June 30, 2020.

Audit period: July 1, 2019 - June 30, 2020

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

**MATERIAL WEAKNESSES**

**2020-001 Property Tax Revenues**

Recommendation: We recommend that the District develop a process for calculating and reporting the correct balances relating to property taxes.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The Property Tax calculation that the Auditors perform is not linear. The Business Manager will work with Auditor to understand calculation and prepare the Year End Journal Entry. The correct balances are input into the General Ledger as Property taxes are paid, but the taxes receivable is not intuitive and the prior Auditor prepared the Year End Property Tax Journal Entry

Name(s) of the contact person(s) responsible for corrective action: Shiela Moore

Planned completion date for corrective action plan: June 30, 2021

**2020-002 Grant Revenue Recognition**

Recommendation: We recommend that the District use modified accrual accounting in all elements of accounting at the District.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: District booked revenue for accrued salaries in FY19-20. The District has not been advised by prior Auditors to book accrued salaries for grants, so there was no need to book additional revenue.

Name(s) of the contact person(s) responsible for corrective action: Shiela Moore

Planned completion date for corrective action plan: June 30, 2021

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2020**

2020-003

Payroll Liabilities

Recommendation: We recommend that Salida use modified accrual accounting in all elements of accounting at the District.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: District accrued salaries for FY19-20. Will have to work with Head Start Program to budget accrued salaries. Prior Auditors did not have the District book accrued salaries.

Name(s) of the contact person(s) responsible for corrective action: Shiela Moore

Planned completion date for corrective action plan: June 30, 2021

2020-004

SEFA Reporting

Recommendation: We recommend that Salida develop a process for calculating federal expenditures incurred during the fiscal year.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: District provided grant reconciliations for the SEFA to CLA in FY19-20. Auditor considers preparing the SEFA as bookkeeping which was not understood as prior Auditor prepared the SEFA. The District will prepare the SEFA for next Fiscal Year.

Name(s) of the contact person(s) responsible for corrective action: Shiela Moore

Planned completion date for corrective action plan: June 30, 2021

2020-005

Cash Reconciliations

Recommendation: We recommend that Salida complete bank reconciliations monthly and ensure there is no unreconciled balance and ensure that bank reconciliations are reviewed by a separate individual who has the appropriate knowledge and background to appropriately review the reconciliation.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: This already happens. There will be variances on bank reconciliations until SECC is fully integrated into District database.

Name(s) of the contact person(s) responsible for corrective action: Shiela Moore

Planned completion date for corrective action plan: June 30, 2021

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2020**

2020-006 Bond Covenants

Recommendation: We recommend that Salida review debt agreements in order to identify any other requirements that the District needs to meet and adding these steps to a checklist for year-end reporting.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: District was made aware of the deficiency in filing with Emma in July 2020 by Kutak Rock LLP. District will file Audit annually.

Name(s) of the contact person(s) responsible for corrective action: Shiela Moore

Planned completion date for corrective action plan: June 30, 2021

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2020**

**FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

US Department of Health and Human Services

2020-007      Head Start Cluster – CFDA No. 93.600

Compliance Requirement: Reporting

Type of Finding: Material Weakness in Internal Control over Compliance, Other Matters

Recommendation: We recommend that Salida develop a review process for all reports that are submitted as part of the Head Start program.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Business Manager will send report to SECC Director for review and approval.

Name(s) of the contact person(s) responsible for corrective action: Shiela Moore

Planned completion date for corrective action plan: June 30, 2021

US Department of Health and Human Services

2020-008      Head Start Cluster – CFDA No. 93.600

Compliance Requirement: Allowable Costs and Cost Principles

Type of Finding: Material Weakness in Internal Control over Compliance, Other Matters

Recommendation: We recommend that Salida incorporate an approval step in the mid-year budget allocation adjustments that are completed.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: There is already a review process in place. Reviewed by SECC Director, Assistant Director and Policy Council.

Name(s) of the contact person(s) responsible for corrective action: Shiela Moore

Planned completion date for corrective action plan: June 30, 2021

If the U.S. Department of Health and Human Services has questions regarding this plan, please call Shiela Moore at 719-530-5202.

**SALIDA SCHOOL DISTRICT NUMBER R-32-J**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2020**

**NOTE 1 BASIS OF PRESENTATION**

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

**NOTE 2 EXPENDITURES INCURRED IN PRIOR YEARS**

The accompanying schedule of expenditures of federal awards (SEFA) includes amounts that were incurred in the prior fiscal year ended June 30, 2019 for the Head Start Program, CFDA 93.600, amounting to \$267,669. As this amount was omitted from the prior fiscal year's SEFA, this amount is included in the SEFA for the fiscal year ended June 30, 2020 and subject to testing for fiscal year 2020.

## **STATE COMPLIANCE**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 0500 - Salida R-32  
 Fiscal Year 2019-20  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	4,325,911	13,782,473	13,583,801	4,524,582
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	49,773	366,826	450,019	-33,420
<b>Sub- Total</b>	<b>4,375,684</b>	<b>14,149,298</b>	<b>14,033,820</b>	<b>4,491,162</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	267,460	0	0	267,460
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	156,975	455,227	584,206	27,996
22 Govt Designated-Purpose Grants Fund	43,295	2,075,123	2,189,107	-70,689
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,832,326	2,155,160	2,071,625	1,915,861
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	2	499,014	540,447	-41,431
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	896,142	583,901	497,531	982,513
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>7,571,884</b>	<b>19,917,724</b>	<b>19,916,736</b>	<b>7,572,871</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	57,606	567	0	58,173
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	272,268	730,352	634,661	367,958
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>329,873</b>	<b>730,919</b>	<b>634,661</b>	<b>426,131</b>

FINAL