

Strasburg School District 31J
Strasburg, Colorado

Financial Statements

June 30, 2020



Strasburg School District 31J

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June 30, 2020

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

Independent Auditors' Report

Board of Education
Strasburg District 31J
Strasburg, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Strasburg District 31J, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Strasburg District 31J, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Strasburg District 31J as of June 30, 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.

Other Matters

Required Supplementary Information

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Strasburg District 31J's basic financial statements. The supplementary information and the auditors integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Greenwood Village, Colorado
November 12, 2020



Strasburg School District 31J
Management's Discussion and Analysis
June 30, 2020

This is a Management Discussion and Analysis (MD&A) for Strasburg School District 31J. It offers the reader management's perspective of the financial activities of Strasburg School District 31J for the year ended June 30, 2020.

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

Financial Highlights

In government-wide activities the District's net position totaled (\$5,405,740) at the end of the 2020 fiscal year and (\$8,437,935) at the end of the 2019 fiscal year. The net position includes the pension liability of \$12,318,106 applied under the GASB 68 standards. Without the pension liability the net position would be \$6,912,366.

Total assets in the governmental funds (General, Bond Redemption, & Non-major Governmental Funds) were \$7,719,511; total liabilities and deferred inflows were \$1,542,097 resulting in an ending fund balance of \$6,177,414.

The ending fund balance of the General Fund was 4,458,094 at June 2020 and 4,083,172 at June 30, 2019. The General Fund portion maintained a fund balance of 43% of the total General Fund budget well within the 15% required by Board policy DG.

Overview of the Financial Statements

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

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

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

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

Strasburg School District 31J
Management's Discussion and Analysis
June 30, 2020

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

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

Fund Financial Statements

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

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

The District does not report any proprietary fund types.

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

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

Strasburg School District 31J
Management's Discussion and Analysis
June 30, 2020

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

Financial Analysis of The Governmental Funds: The focus of the District's governmental funds is to provide information on balances of available (spendable) resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful tool in measuring the District's net resources available for spending at the end of the fiscal year. The District's unassigned fund balance in the General Fund was \$4,134,094 at June 30, 2020 compared to 3,772,672 at June 30, 2019.

Financial Analysis of the District as a Whole

The District's total net position on June 30, 2020 was (\$5,405,740). Of the District's \$20,144,213 in total assets, \$12,467,825 reflects investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. The principal long-term debt on June 30, 2020 was \$4,675,360. Current debt (due within one year) was \$700,000.

Strasburg School District 31J
Management's Discussion and Analysis
June 30, 2020

Statement of Net Position	<u>2020</u>	<u>2019</u>
Assets		
Current and Other Assets	7,676,388	6,659,695
Capital Assets	12,467,825	12,560,692
Total Assets	<u>20,144,213</u>	<u>19,220,387</u>
Deferred Outflows	2,150,660	5,713,134
Liabilities		
Current and Other Liabilities	1,412,289	912,840
* Non-Current Liabilities	17,620,173	20,669,746
Total Liabilities	<u>19,032,462</u>	<u>21,582,586</u>
Deferred Inflows	8,668,151	11,788,870
Net Position		
Invested in Capital Assets	7,973,149	7,386,420
Restricted for:		
Debt Service	1,564,191	1,539,997
Emergencies	324,000	310,500
Unrestricted	(15,267,080)	(17,674,852)
Total Net Position	<u>(5,405,740)</u>	<u>(8,437,935)</u>

**Pension Liability 12,318,106

Strasburg School District 31J
Management's Discussion and Analysis
June 30, 2020

Statement of Activities	<u>2020</u>	<u>2019</u>
Revenues		
Charges for Services	234,649	578,945
Grants and Contributions	1,032,506	658,992
Property Taxes	3,979,051	3,702,111
Specific Ownership Taxes	269,043	307,886
State Equalization	5,910,413	5,358,309
Per Pupil Revenue	186,330	201,766
Other Revenues	91,274	94,961
Total Revenues	<u>11,703,266</u>	<u>10,902,970</u>
Expenses		
Instruction	4,577,667	4,470,926
Supporting Services	3,616,252	3,462,725
Food Services	349,523	352,012
Interest	127,629	143,674
Total Expenses	<u>8,671,071</u>	<u>8,429,337</u>
Change in Net Position	3,032,195	2,473,633
Net Position, Beginning (<i>Restated</i>)	<u>(8,437,935)</u>	<u>(10,911,568)</u>
Net Position, Ending	<u>(5,405,740)</u>	<u>(8,437,935)</u>

Strasburg School District 31J
Management's Discussion and Analysis
June 30, 2020

Financial Analysis of the District's Funds

The General Fund is the major operating fund of the District. During the current fiscal year, fund balance increased by \$374,922 from \$4,083,172 to \$4,458,094.

The Bond Redemption Fund accounts for property taxes restricted for the payment of general obligation debt, and had an ending fund balance at June 30, 2020, of \$1,564,191.

General Fund Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund. For the year ended June 30, 2020, actual expenditures of \$10,098,024 were less than budgeted expenditures by \$161,765. Actual revenue was \$10,532,946 - \$194,984 more than originally budgeted.

The District must maintain an emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). On June 30, 2020, the General Fund TABOR reserve amounted to \$324,000.

Capital Asset and Debt Administration

Capital assets. The District's capital assets as of June 30, 2020, totaled \$12,467,825. More information on the District's capital assets can be found in Note 3 to the financial statements.

Long-term debt. As of June 30, 2020, the District had general obligation bonds payable and compensated absences payable of \$4,696,574. Bond proceeds were used to construct a new middle school and improve other District facilities. More information on the District's long-term debt can be found in Note 4 to the financial statements.

Economic Factors

COVID has largely impacted the school district with a budget reduction of \$748,365. Because the district received Covid Relief Funds we were able to keep all positions. As our funding is depleted over the next 3 years, the district will be faced with difficult decisions.

The District has experienced growth with the development of new housing developments. This increase has significantly impacted the elementary school, resulting in overcrowding. With a Budget Stabilization Factor (BSF) of over \$8,538,442 the district is not in a position to address the overcrowding within the general fund balance and has placed a bond question on the November 2020 ballot (passed) in the amount of \$19,800,000 to address overcrowding, life, health, and safety issues.

Strasburg School District 31J
Management's Discussion and Analysis
June 30, 2020

Student growth has removed the district from the PPR averaging and designated the district as only rural, no longer small rural for funding purposes. Over the next five (5) years the District is expected to experience an increase in student count of more than 250 students.

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

Contacting the District's Financial Management

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

Georgia Steele
Business Manager
Strasburg School District
56729 E. Colorado Ave.
Strasburg, CO 80136

Basic Financial Statements

Strasburg School District 31J
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash and Investments	\$ 7,611,676
Accounts Receivable	60,160
Taxes Receivable	155,700
Inventories	7,789
Capital Assets, <i>Not Being Depreciated</i>	796,786
Capital Assets, <i>Net of Accumulated Depreciation</i>	11,671,039
Total Assets	20,303,150
Deferred Outflows of Resources	
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	180,684
OPEB, <i>Net of Accumulated Amortization</i>	41,426
Pensions, <i>Net of Accumulated Amortization</i>	1,928,550
Total Deferred Outflows of Resources	2,150,660
Liabilities	
Accounts Payable	23,622
Accrued Salaries and Benefits	761,009
Unearned Revenues	617,243
Accrued Interest Payable	10,415
Noncurrent Liabilities	
Due Within One Year	700,000
Due in More Than One Year	3,996,574
Net OPEB Liability	605,493
Net Pension Liability	12,318,106
Total Liabilities	19,032,462
Deferred Inflows of Resources	
OPEB, <i>Net of Accumulated Amortization</i>	111,864
Pensions, <i>Net of Accumulated Amortization</i>	8,556,287
Total Deferred Inflows of Resources	8,668,151
Net Position	
Net Investment in Capital Assets	7,973,149
Restricted for:	
Restricted for Debt Service	1,564,191
Restricted for Emergencies	324,000
Unrestricted	(15,108,143)
Total Net Position	\$ (5,246,803)

Strasburg School District 31J
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<i>Governmental Activities</i>				
Instruction	\$ 4,772,529	\$ 90,948	\$ 902,683	\$ (3,778,898)
Supporting Services	3,616,252	-	129,823	(3,486,429)
Food Service	349,523	143,701	-	(205,822)
Interest on Long-Term Debt	127,629	-	-	(127,629)
Total Governmental Activities	<u>\$ 8,865,933</u>	<u>\$ 234,649</u>	<u>\$ 1,032,506</u>	<u>(7,598,778)</u>
General Revenues				
				3,979,051
				269,043
				5,910,413
				186,330
				9,051
				60,848
				<u>225,764</u>
				<u>10,640,500</u>
				Change in Net Position
				<u>3,041,722</u>
				Net Position, Beginning of year , as previously stated
				(8,437,935)
				Restatement
				<u>149,410</u>
				Net Position, Beginning of year , as restated
				<u>(8,288,525)</u>
				Net Position, End of year
				<u>\$ (5,246,803)</u>

Strasburg School District 31J

Balance Sheet Governmental Funds June 30, 2020

	General	Bond Redemption	Nonmajor Governmental Funds	Total
Assets				
Cash and Investments	\$ 5,752,461	\$ 1,551,991	\$ 307,224	\$ 7,611,676
Accounts Receivable	38,989	-	21,171	60,160
Taxes Receivable	123,700	32,000	-	155,700
Due from other funds	12,212	-	30,911	43,123
Inventories	-	-	7,789	7,789
	\$ 5,927,362	\$ 1,583,991	\$ 367,095	\$ 7,878,448
Liabilities				
Accounts Payable	\$ 23,622	\$ -	\$ -	\$ 23,622
Accrued Salaries and Benefits	737,826	-	23,183	761,009
Due to other funds	30,911	-	12,212	43,123
Unearned Revenues	599,609	-	17,634	617,243
	1,391,968	-	53,029	1,444,997
Deferred Inflows of Resources				
Property Taxes	77,300	19,800	-	97,100
Fund Balances				
Nonspendable Inventories	-	-	7,789	7,789
Restricted for:				
Debt Service	-	1,564,191	-	1,564,191
Emergencies	324,000	-	-	324,000
Assigned to:				
Assigned to Food Service	-	-	55,330	55,330
Assigned to Capital Projects	-	-	92,010	92,010
Assigned to Student Activities	-	-	158,937	158,937
Unassigned	4,134,094	-	-	4,134,094
	4,458,094	1,564,191	314,066	6,336,351
Total Fund Balances	4,458,094	1,564,191	314,066	6,336,351
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,927,362	\$ 1,583,991	\$ 367,095	\$ 7,878,448

Strasburg School District 31J
 Reconciliation of the Balance Sheet of Governmental
 Funds to the Statement of Net Position
 For the Year Ended June 30, 2020

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

Total Fund Balances of Governmental Funds	\$ 6,336,351
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	12,467,825
Long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes earned but not available as current financial resources.	97,100
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Loss on debt refunding	180,684
Accrued interest payable	(10,415)
Bonds payable	(4,675,360)
Accrued compensated absences	(21,214)
Net pension liability	(12,318,106)
Pension-related deferred outflows of resources	1,928,550
Pension-related deferred inflows of resources	(8,556,287)
Net OPEB liability	(605,493)
OPEB-related deferred outflows of resources	41,426
OPEB-related deferred inflows of resources	<u>(111,864)</u>
 Total Net Position of Governmental Activities	 \$ <u><u>(5,246,803)</u></u>

Strasburg School District 31J
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General	Bond Redemption	Nonmajor Governmental Funds	Total
Revenues				
Local Sources	\$ 3,714,175	\$ 827,804	\$ 353,437	\$ 4,895,416
County Sources	422	-	-	422
State Sources	6,747,002	-	6,699	6,753,701
Federal Sources	71,347	-	190,185	261,532
	<u>10,532,946</u>	<u>827,804</u>	<u>550,321</u>	<u>11,911,071</u>
Total Revenues				
Expenditures				
Current				
Instruction	5,719,703	-	-	5,719,703
Supporting Services	4,378,321	-	195,027	4,573,348
Food Service	-	-	349,523	349,523
Debt Service				
Principal	-	675,000	-	675,000
Interest and Fiscal Charges	-	133,675	-	133,675
	<u>10,098,024</u>	<u>808,675</u>	<u>544,550</u>	<u>11,451,249</u>
Total Expenditures				
Revenues Over (Under) Expenditures	434,922	19,129	5,771	459,822
Transfers	<u>(60,000)</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
Net Change in Fund Balances	<u>374,922</u>	<u>19,129</u>	<u>65,771</u>	<u>459,822</u>
Fund Balances, Beginning of year, as previously stated	4,083,172	1,545,062	98,885	5,727,119
Restatement	<u>-</u>	<u>-</u>	<u>149,410</u>	<u>149,410</u>
Fund Balances, Beginning of year, as restated	<u>4,083,172</u>	<u>1,545,062</u>	<u>248,295</u>	<u>5,876,529</u>
Fund Balances, End of year	<u>\$ 4,458,094</u>	<u>\$ 1,564,191</u>	<u>\$ 314,066</u>	<u>\$ 6,336,351</u>

Strasburg School District 31J
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2020

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

Net Change in Fund Balances of Governmental Funds	\$	459,822
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Depreciation expense		(450,445)
Capital outlay		357,578
<p>Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents the change in deferred property taxes.</p>		
		65,500
<p>The repayment of long-term debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities.</p>		
		675,000
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This is the effect of these differences in the treatment of long-term debt and related items:</p>		
Amortization of bond premiums		34,710
Amortization of loss of debt refunding		(30,114)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the changes in the following:</p>		
Accrued interest payable		1,449
Net pension liability		2,219,300
Pension-related deferred outflows of resources		(3,534,652)
Pension-related deferred inflows of resources		3,231,444
Net OPEB liability		120,563
OPEB-related deferred outflows of resources		2,292
OPEB-related deferred inflows of resources		(110,725)
		(110,725)
Change in Net Position	\$	3,041,722

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

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

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

Strasburg School District 31J

Notes to 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 the payment of general obligation debt issued by the District.

Additionally, the District reports the following fund type:

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

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

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

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

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

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

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balances/Net Position

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

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

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

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

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

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

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

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

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

Pensions – The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SCHDTF'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 SCHDTF. 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. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The Bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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

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. Investments are reported at fair value.

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

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

Property Taxes

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

Subsequent Events

The District has evaluated subsequent events through November 12, 2020, the date the financial statements were available to be issued.

Strasburg School District 31J
Notes to Financial Statements
June 30, 2020

Note 2: Cash and Investments

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

Deposits	\$ 5,209,609
Investments	<u>2,402,067</u>
Total	<u>\$ 7,611,676</u>

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

Cash and Investments	\$ 7,452,739
Fiduciary Fund Cash and Investments	<u>158,937</u>
Total	<u>\$ 7,611,676</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2020, the District had bank deposits of \$4,703,798 collateralized with securities held by the financial institutions' agents but not in the District's name.

Investments

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

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

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

Strasburg School District 31J
Notes to Financial Statements
June 30, 2020

Note 2: Cash and Investments (Continued)

Investments (Continued)

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.

Local Government Investment Pool – At June 30, 2020, the District had \$2,402,067 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission’s Rule 2a-7. Colotrust is measured at the net asset value per share, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor’s. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian’s internal records identify the investments owned by the participating governments.

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2020, is summarized below.

Governmental Activities	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
Capital Assets, <i>Not Being Depreciated</i>				
Land	\$ 796,786	\$ -	\$ -	\$ 796,786
Total Capital Assets, <i>Not Being Depreciated</i>	<u>796,786</u>	<u>-</u>	<u>-</u>	<u>796,786</u>
Capital Assets, <i>Being Depreciated</i>				
Buildings and Improvements	20,129,547	-	-	20,129,547
Transportation Vehicles	1,053,403	328,653	-	1,382,056
Equipment	1,326,108	28,925	-	1,355,033
Total Capital Assets, <i>Being Depreciated</i>	<u>22,509,058</u>	<u>357,578</u>	<u>-</u>	<u>22,866,636</u>
Less Accumulated Depreciation				
Buildings and Improvements	(8,656,663)	(378,532)	-	(9,035,195)
Transportation Vehicles	(1,036,070)	(22,631)	-	(1,058,701)
Equipment	(1,052,419)	(49,282)	-	(1,101,701)
Total Accumulated Depreciation	<u>(10,745,152)</u>	<u>(450,445)</u>	<u>-</u>	<u>(11,195,597)</u>
Total Capital Assets, <i>Being Depreciated, net</i>	<u>11,763,906</u>	<u>(92,867)</u>	<u>-</u>	<u>11,671,039</u>
Governmental Activities Capital Assets, <i>net</i>	<u>\$ 12,560,692</u>	<u>\$ (92,867)</u>	<u>\$ -</u>	<u>\$ 12,467,825</u>

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

Strasburg School District 31J
Notes to Financial Statements
June 30, 2020

Note 4: Long-Term Debt

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

Governmental Activities	Balance 6/30/19	Additions	Deletions	Balance 6/30/20	Due Within One Year
2012 GO Bonds	\$ 4,480,000	\$ -	\$ (285,000)	\$ 4,195,000	\$ 300,000
2012 Bond Premium	89,314	-	(17,538)	71,776	-
2014 GO Bonds	790,000	-	(390,000)	400,000	400,000
2014 Bond Premium	25,756	-	(17,172)	8,584	-
Compensated Absences	21,214	-	-	21,214	-
Total	\$ 5,406,284	\$ -	\$ (709,710)	\$ 4,696,574	\$ 700,000

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

General Obligation Bonds

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

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

Bond payments to maturity are as follows.

Year Ended June 30,	Principal	Interest	Total
2021	\$ 700,000	\$ 115,225	\$ 815,225
2022	740,000	96,225	836,225
2023	760,000	77,475	837,475
2024	775,000	58,288	833,288
2025	800,000	36,600	836,600
Thereafter	820,000	12,300	832,300
Total	\$ 4,595,000	\$ 396,113	\$ 4,991,113

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 5: Risk Management

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

Colorado School Districts Self Insurance Pool

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

Note 6: Jointly Governed Organization

The District, in conjunction with other surrounding districts, created the East Central Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. The District paid \$565,700 to the BOCES during the year ended June 30, 2020. The BOCES' financial statements are available at www.ecboces.org.

Note 7: Defined Benefit Pension Plan

General Information

Plan Description – The District contributes to the SCHDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. All employees of the District participate in the SCHDTF. 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 SCHDTF that may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided – The SCHDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure under which the member retires, the benefit option selected at retirement, and age at retirement.

Strasburg School District 31J
Notes to Financial Statements
June 30, 2020

Note 7: Defined Benefit Pension Plan (Continued)

General Information (Continued)

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the a) highest average salary over three years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the retiring employee's contribution account plus an equal match on eligible amounts as of the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors.

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

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

As of December 31, 2019, retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) in certain years, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent 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 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 employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the annual increase by up to 0.25 percent 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 a disability. The disability benefit amount is based on the lifetime retirement benefit formula described previously, considering a minimum of twenty years of service credit, if deemed disabled.

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

Strasburg School District 31J
Notes to Financial Statements
June 30, 2020

Note 7: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Contributions – The District, eligible employees 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. The contribution rate for eligible employees is 8.75% of covered salaries during the period of July 1, 2019, through June 30, 2020. The District's contribution rate was 20.40% of covered salaries for July 1, 2019 through June 30, 2020. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes. During the year ended June 30, 2020, the direct distribution for the SCHDTF was \$126,505,213.

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 SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. The District's contributions to the SCHDTF for the year ended June 30, 2020, were \$982,899 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 at 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.

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 7: Defined Benefit Pension Plan (Continued)

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

At June 30, 2020, the District reported a net pension liability of \$12,318,106 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:

District Proportionate share of net pension liability	\$ 13,880,496
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the District	<u>(1,562,390)</u>
Proportionate share of the net pension liability	<u>\$ 12,318,106</u>

The District's proportion of the net pension liability was based on 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 December 31, 2019, the District's proportion was 0.0824517033%, which was an increase of 0.0003521879% from its proportion measured at December 31, 2018.

For the year ended June 30, 2020, the District recognized pension benefit of \$926,610 which includes \$49,421 of 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	\$ 671,343	\$ -
Changes of assumptions and other inputs	351,662	5,587,376
Net difference between projected and actual earnings on plan investments	-	1,459,200
Changes in proportion	337,102	1,509,711
Contributions subsequent to the measurement date	<u>568,443</u>	<u>-</u>
Total	<u>\$ 1,928,550</u>	<u>\$ 8,556,287</u>

Strasburg School District 31J
Notes to Financial Statements
June 30, 2020

Note 7: Defined Benefit Pension Plan (Continued)

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

District contributions subsequent to the measurement date of \$568,443 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2021	\$ (3,890,086)
2022	(2,836,292)
2023	26,577
2024	(496,377)
2025	<u>(2)</u>
Total	\$ <u>(7,196,180)</u>

Actuarial Assumptions – The actuarial valuation as of December 31, 2018, determined the total pension liability using the following actuarial assumptions and other inputs.

Actuarial cost method	Entry Age
Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-employment benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	1.25%
PERA benefit structure hired after 12/31/06 (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 percent factor applied to male rates and a 55 percent factor applied to female rates.

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

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

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 7: Defined Benefit Pension Plan (Continued)

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

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

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

The actuarial assumptions used in the December 31, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 7: Defined Benefit Pension Plan (Continued)

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

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%.

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 and the additional 0.50% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 7: Defined Benefit Pension Plan (Continued)

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

- 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.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50% to 1.25% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 7: Defined Benefit Pension Plan (Continued)

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

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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 16,336,445	\$ 12,318,106	\$ 8,944,359

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

Note 8: Postemployment Healthcare Benefits

General Information

Plan Description – All employees of the District are eligible to receive postemployment benefits other than pensions (OPEB) through the HCTF, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Strasburg School District 31J
Notes to Financial Statements
June 30, 2020

Note 8: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Benefits Provided – The HCTF provides a healthcare premium subsidy to eligible PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

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

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. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 8: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Contributions – As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the District's contributions to the SCHDTF (see Note 7) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Academy for the year ended June 30, 2020, was \$51,687, 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 net OPEB liability of \$605,493 representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at 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 ended December 31, 2019, relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.0538695660%, which was an increase of 0.0005043900% from its proportion measured at December 31, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$38,990. 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	\$ 2,009	\$ 101,746
Changes of assumptions and other inputs	5,025	-
Net difference between projected and actual earnings on plan investments	-	10,108
Changes in proportion	4,598	10
Contributions subsequent to the measurement date	29,794	-
Total	\$ 41,426	\$ 111,864

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 8: Postemployment Healthcare Benefits (Continued)

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

District contributions subsequent to the measurement date of \$29,794 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>			
2021	\$	(20,351)	
2022		(20,351)	
2023		(17,425)	
2024		(21,268)	
2025		(19,654)	
Thereafter		<u>(1,183)</u>	
 Total	 \$	 <u><u>(100,232)</u></u>	

Actuarial Assumptions – The actuarial valuation as of December 31, 2018, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Actuarial Cost method	Entry age
Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
5.60% for 2019, gradually decreasing to 4.50% in 2029	
Medicare Part A premiums:	
3.50% for 2019, gradually rising to 4.50% in 2025	

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

The actuarial assumptions used in 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, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed and reviewed by PERA's actuary as needed.

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 8: Postemployment Healthcare Benefits (Continued)

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

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.

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. 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 District and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 8: Postemployment Healthcare Benefits (Continued)

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

The 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.

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

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

Discount Rate – The discount rate used to measure the total 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.

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 8: Postemployment Healthcare Benefits (Continued)

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

- 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.

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%.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ <u>684,632</u>	\$ <u>605,493</u>	\$ <u>537,813</u>

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 8: Postemployment Healthcare Benefits (Continued)

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

Sensitivity of the Net OPEB Liability to Changes in the 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 2.5% to 6.5%, 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 Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$ 591,110	\$ 605,493	\$ 622,114

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.

Note 9: Commitments and Contingencies

Claims and Judgments

The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2019, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

Litigation

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

Strasburg School District 31J

Notes to Financial Statements

June 30, 2020

Note 9: Commitments and Contingencies (Continued)

TABOR Amendment

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

In accordance with the Amendment, the District has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2020, the emergency reserve was reported as restricted fund balance in the General Fund in the amount of \$324,000.

Note 10: Contingency

During the year ended June 30, 2020, the United State of America and the State of Colorado have declared an emergency associated with the Coronavirus Pandemic. The District has been economically impacted by the event, however the full economic effect has yet to be determined.

Note 11: Restatement

Pursuant to GASB 84 Fiduciary Activities, the previously reported Agency Funds, Student Activity were reclassified as Nonmajor Funds. The effect of the implementation of GASB 84 was to restate beginning fund balance and beginning net position by \$149,410.

Required Supplementary Information

Strasburg School District 31J
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2020

	12/31/19	12/31/18
Proportionate Share of the Net Pension Liability		
District's Proportion of the Net Pension Liability	0.0824517033%	0.0820995154%
District's Proportionate Share of the Net Pension Liability	\$ 12,318,106	\$ 14,537,406
State's Proportionate Share of the Net Pension Liability	1,562,390	1,987,783
Total Proportionate Share of the Net Pension Liability	\$ 13,880,496	\$ 16,525,189
District's Covered-Employee Payroll	\$ 4,843,726	\$ 4,513,454
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	254%	322%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65%	57%
	6/30/20	6/30/19
District Contributions		
Statutorily Required Contribution	\$ 982,899	880,188
Contributions in Relation to the Statutorily Required Contribution	(982,899)	(880,188)
Contribution Deficiency (Excess)	\$ -	-
District's Covered-Employee Payroll	\$ 5,067,324	4,601,035
Contributions as a Percentage of Covered-Employee Payroll	19.40%	19.13%

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.

(Continued)

Strasburg School District 31J
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Contributions
Public Employees' Retirement Association of Colorado School Division Trust Fund
June 30, 2020
(Continued)

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Proportionate Share of the Net Pension Liability					
District's Proportion of the Net Pension Liability	0.0957923578%	0.0835787504%	0.0990600957%	0.1056157693%	0.1101698061%
District's Proportionate Share of the Net Pension Liability	\$ 30,975,844	\$ 24,884,626	\$ 15,150,542	\$ 14,314,484	\$ 14,052,129
State's Proportionate Share of the Net Pension Liability	-	-	-	-	-
Total Proportionate Share of the Net Pension Liability	<u>\$ 30,975,844</u>	<u>\$ 24,884,626</u>	<u>\$ 15,150,542</u>	<u>\$ 14,314,484</u>	<u>\$ 14,052,129</u>
District's Covered-Employee Payroll	\$ 4,418,500	\$ 4,477,714	\$ 4,426,714	\$ 4,424,541	\$ 4,441,295
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	701%	556%	342%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
District Contributions					
Statutorily Required Contribution	\$ 836,192	\$ 809,220	\$ 791,419	\$ 749,264	\$ 707,299
Contributions in Relation to the Statutorily Required Contribution	<u>(836,192)</u>	<u>(809,220)</u>	<u>(791,419)</u>	<u>(749,264)</u>	<u>(707,299)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 4,435,220	\$ 4,399,925	\$ 4,462,335	\$ 4,438,370	\$ 4,426,180
Contributions as a Percentage of Covered-Employee Payroll	18.85%	18.39%	17.74%	16.88%	15.98%

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

Strasburg School District 31J
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability and Contributions
Public Employees' Retirement Association of Colorado Health Care Trust Fund
June 30, 2020

	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability			
District's Proportion of the Net OPEB Liability	0.0538695660%	0.0533651760%	0.0544253020%
District's Proportionate Share of the Net OPEB Liability	\$ 605,493	\$ 726,056	\$ 605,493
District's Covered Payroll	\$ 4,843,726	\$ 4,513,454	\$ 4,418,500
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	13%	16%	14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24%	17%	18%
	6/30/20	6/30/19	6/30/18
District's Contributions			
Statutorily Required Contribution	\$ 51,687	\$ 46,931	\$ 45,240
Contributions in Relation to the Statutorily Required Contribution	<u>(51,687)</u>	<u>(46,931)</u>	<u>(45,240)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 5,067,324	\$ 4,601,035	\$ 4,435,220
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.

Strasburg School District 31J
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Property Taxes	\$ 3,686,289	\$ 3,181,911	\$ 3,103,011	\$ (78,900)
Specific Ownership Taxes	246,934	216,763	269,043	52,280
Tuition and Fees	276,148	265,348	277,278	11,930
Investment Income	44,000	60,000	43,467	(16,533)
Other	12,300	-	21,376	21,376
Total Local Sources	<u>4,265,671</u>	<u>3,724,022</u>	<u>3,714,175</u>	<u>(9,847)</u>
<i>County Sources</i>	485	422	422	-
<i>State Sources</i>				
State Equalization	5,483,052	5,913,960	5,910,413	(3,547)
Additional At-Risk Funding	2,500	2,500	3,399	899
Transportation	60,000	73,503	76,359	2,856
Student with Disabilities Funding	125,000	146,000	240,939	94,939
Grants	299,601	415,755	515,892	100,137
Total State Sources	<u>5,970,153</u>	<u>6,551,718</u>	<u>6,747,002</u>	<u>195,284</u>
<i>Federal Sources</i>	61,800	61,800	71,347	9,547
Total Revenues	<u>10,298,109</u>	<u>10,337,962</u>	<u>10,532,946</u>	<u>194,984</u>
Expenditures				
<i>Instruction</i>				
Salaries	3,711,387	3,670,273	3,568,412	101,861
Employee Benefits	1,402,782	1,259,453	1,223,044	36,409
Purchased Services	508,700	493,025	533,790	(40,765)
Supplies and Materials	306,300	313,243	365,905	(52,662)
Property	26,900	66,262	28,552	37,710
Other	-	450	-	450
Total Instruction	<u>5,956,069</u>	<u>5,802,706</u>	<u>5,719,703</u>	<u>83,003</u>
<i>Supporting Services</i>				
Salaries	1,716,307	1,839,606	1,843,285	(3,679)
Employee Benefits	615,546	627,980	656,003	(28,023)
Purchased Services	1,025,080	1,025,272	974,310	50,962
Supplies and Materials	758,667	684,777	517,878	166,899
Property	24,800	265,648	379,732	(114,084)
Other	123,467	13,800	7,113	6,687
Total Supporting Services	<u>4,263,867</u>	<u>4,457,083</u>	<u>4,378,321</u>	<u>78,762</u>
Total Expenditures	<u>\$ 10,219,936</u>	<u>\$ 10,259,789</u>	<u>\$ 10,098,024</u>	<u>\$ 161,765</u>
Revenues Over (Under) Expenditures	<u>\$ 78,173</u>	<u>\$ 78,173</u>	<u>\$ 434,922</u>	<u>\$ 356,749</u>
Transfers	<u>(78,173)</u>	<u>(78,173)</u>	<u>(60,000)</u>	<u>18,173</u>
Net Change in Fund Balance	-	-	374,922	374,922
Fund Balance, Beginning of year	<u>3,547,627</u>	<u>3,547,627</u>	<u>4,083,172</u>	<u>535,545</u>
Fund Balance, End of year	<u>\$ 3,547,627</u>	<u>\$ 3,547,627</u>	<u>\$ 4,458,094</u>	<u>\$ 910,467</u>

See the accompanying Independent Auditors' Report.

Strasburg School District 31J
 Budgetary Comparison Schedule
 Bond Redemption Fund
 For the Year Ended June 30, 2020

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
<i>Local Sources</i>			
Property Taxes	\$ 808,675	\$ 810,540	\$ 1,865
Investment Income	3,500	17,264	13,764
Total Revenues	812,175	827,804	15,629
Expenditures			
Debt Service			
Principal	675,000	675,000	-
Interest and Fiscal Charges	142,375	133,675	8,700
Total Expenditures	817,375	808,675	8,700
Net Change in Fund Balance	(5,200)	19,129	24,329
Fund Balance, Beginning of year	1,537,703	1,545,062	7,359
Fund Balance, End of year	\$ 1,532,503	\$ 1,564,191	\$ 31,688

Strasburg School District 31J
Notes to Required Supplementary Information
June 30, 2020

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2020, the total pension liability was determined by an actuarial valuation as of December 31, 2018. The following revised economic and demographic assumptions were effective as of December 31, 2018.

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

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

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

Supplementary Information

Strasburg School District 31J
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Food Service	Building	Student Activities	Total
Assets				
Cash and Investments	\$ 87,188	\$ 61,099	\$ 158,937	\$ 307,224
Accounts Receivables	21,171	-	-	21,171
Due from other funds	-	30,911	-	30,911
Inventories	7,789	-	-	7,789
 Total Assets	 \$ 116,148	 \$ 92,010	 \$ 158,937	 \$ 367,095
Liabilities and Fund Balances				
<i>Liabilities</i>				
Accrued Salaries and Benefits	\$ 23,183	\$ -	\$ -	\$ 23,183
Due to other Funds	12,212	-	-	12,212
Unearned Revenues	17,634	-	-	17,634
 Total Liabilities	 53,029	 -	 -	 53,029
<i>Fund Balances</i>				
Nonspendable Inventories	7,789	-	-	7,789
Assigned to:				
Food Service	55,330	-	-	55,330
Capital Projects	-	92,010	-	92,010
Student Activities	-	-	158,937	158,937
 Total Fund Balances	 63,119	 92,010	 158,937	 314,066
 Total Liabilities and Fund Balances	 \$ 116,148	 \$ 92,010	 \$ 158,937	 \$ 367,095

Strasburg School District 31J

Combining Statement of Revenues, Expenditures and changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2020

	Food Service	Building	Student Activities	Total
Revenues				
Local Sources	\$ 148,931	\$ 117	\$ 204,389	\$ 353,437
State Sources	6,699	-	-	6,699
Federal Sources	190,185	-	-	190,185
Total Revenues	345,815	117	204,389	550,321
Expenditures				
Current				
Food Service	349,523	-	-	349,523
Building Service	-	165	-	165
Supporting Services	-	-	194,862	194,862
Total Expenditures	349,523	165	194,862	544,550
Revenues Over (Under) Expenditures	(3,708)	(48)	9,527	5,771
Transfers	60,000	-	-	60,000
Net Change in Fund Balance	56,292	(48)	9,527	65,771
Fund Balances, Beginning of year , as previously stated	6,827	92,058	-	98,885
Restatement	-	-	149,410	149,410
Fund Balances, Beginning of year , as restated	6,827	92,058	149,410	248,295
Fund Balances, End of year	\$ 63,119	\$ 92,010	\$ 158,937	\$ 314,066

Strasburg School District 31J
 Budgetary Comparison Schedule
 Food Service Fund
 For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Charges for Services	\$ 157,650	\$ 163,771	\$ 148,931	\$ (14,840)
<i>State Sources</i>				
Grants	5,500	6,456	6,699	243
<i>Federal Sources</i>				
Grants	91,800	109,600	190,185	80,585
 Total Revenues	 254,950	 279,827	 345,815	 65,988
 Expenditures				
Salaries	125,052	144,000	128,186	15,814
Employee Benefits	34,071	35,000	32,631	2,369
Purchased Services	7,000	6,000	5,786	214
Supplies and Materials	166,500	173,000	182,920	(9,920)
 Total Expenditures	 332,623	 358,000	 349,523	 8,477
 Revenues Over (Under) Expenditures	 (77,673)	 (78,173)	 (3,708)	 74,465
 Transfers	 78,173	 78,173	 60,000	 (18,173)
 Net Change in Fund Balance	 500	 -	 56,292	 56,292
 Fund Balance, Beginning of year	 12,590	 12,590	 6,827	 (5,763)
 Fund Balance, End of year	 \$ 13,090	 \$ 12,590	 \$ 63,119	 \$ 50,529

Strasburg School District 31J
 Budgetary Comparison Schedule
 Building Fund
 For the Year Ended June 30, 2020

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
<i>Local Sources</i>			
Investment Income	\$ 117	\$ 117	\$ -
Total Revenues	117	117	-
Expenditures			
Property	31,076	165	30,911
Total Expenditures	31,076	165	30,911
Net Change in Fund Balance	(30,959)	(48)	30,911
Fund Balance, Beginning of year	92,058	92,058	-
Fund Balance, End of year	\$ 61,099	\$ 92,010	\$ 30,911

Compliance Section



Colorado Department of Education

Auditors Integrity Report

District: 0060 - Strasburg 31J

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	4,083,172	10,472,948	10,098,025	4,458,095
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	4,083,172	10,472,948	10,098,025	4,458,095
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	6,827	405,815	349,524	63,118
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,545,062	827,804	808,675	1,564,191
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	92,058	117	165	92,010
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	5,727,120	11,706,684	11,256,389	6,177,415
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	149,410	204,389	194,862	158,937
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	149,410	204,389	194,862	158,937

DRAFT 11/5/20 *If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your prior eriod adjustment is added into both your ending and beginning fund balances on this report.