



**HINKLE &
COMPANY**
Strategic PC
Business Advisors

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

We have audited the financial statements of the Salida School District Number R-32-J (the ADistrict) as of and for the year ended June 30, 2018 and have issued our report thereon dated December 7, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As communicated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements due to error or fraud may exist and not be detected by us, even though the audit is properly planned and performed. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or regulations that do not have a direct and material effect on the financial statements.

As part of our audit, we considered the District's internal control over financial reporting and compliance as a basis for designing our audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control or on compliance.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We applied certain limited procedures to the required supplementary information (RSI). However, we did not audit the RSI and do not express an opinion or provide any assurance on the RSI. With respect to the supplementary information accompanying the financial statements, we performed procedures to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing the information has not changed from the prior year, and the information is appropriate and complete in relation to our audit of the financial statements.

Also, in accordance with OMB's Uniform Guidance, we considered the District's internal control over compliance with requirements that could have a direct and material effect on its major federal programs, and we examined, on a test basis, evidence about the District's compliance with the requirements applicable to its major federal programs for the purpose of expressing an opinion on compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as discussed in the following paragraph. We noted no transactions the District entered into during the year for which there is a lack of authoritative guidance or consensus.

For the year ended June 30, 2018, the District adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the District's proportionate share of the PERA Health Care Trust Fund's unfunded OPEB liability is reported as a liability in the government-wide financial statements in the amount of \$1,091,690.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the significant estimates in determining that they are reasonable in relation to the financial statements as a whole.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. A listing of uncorrected misstatements was provided to management, and management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.

In addition, we identified misstatements as a result of our audit procedures which were corrected by management. In our opinion, these misstatements indicate a weakness in the District's financial reporting process.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.



Difficulties Encountered in Performing the Audit

We encountered no difficulties dealing with management during the audit process. We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a Asecond opinion on certain situations. If a consultation involves the application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to contact us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and the responses were not a condition to our retention.

Other Information

Head Start

Because of its small size, the Head Start program does not have complete segregation of duties over its accounting functions. To detect errors or fraud, the District has implemented compensating controls such as reviews of bank statements and reconciliations by a person not involved in the accounting process. We continue to stress the importance of these compensating controls, and recommend that the District ensure that the controls continue into the future. We continue to recommend that the District improve the expenditure account coding and budgeting for the Head Start Fund to better conform to the Colorado Department of Education's chart of accounts.

Conclusion

We would like to thank Laurie Weber and the District staff for their assistance during the audit process. Everyone was very helpful and cooperative.

This report is intended solely for the information and use of the Board of Education and management of the Salida School District Number R-32-J and is not intended to be, and should not be, used by anyone other than these specified parties.

Hick & Company, PC

