

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
PUEBLO, COLORADO
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
AND CERTAIN SUPPLEMENTAL INFORMATION
PRESENTED FOR PURPOSES OF A SINGLE AUDIT

June 30, 2016



RECEIVED

By Justin L. Smith at 8:27 am, Feb 28, 2017

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Independent Auditor's Report

February 21, 2017

Board of Education
Pueblo County School District No. 70
Pueblo, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County School District No. 70 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We did not audit the financial statements of the Swallows Charter Academy, a component unit of the District, which represents 29% and 71% of the assets and deferred outflows of resources and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Swallows Charter Academy in the aggregate discretely presented component units, is based solely on the report of other auditors.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the remaining aggregate fund information of Pueblo County School District No. 70, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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 required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the management's discussion and analysis and pension schedules 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. The budgetary comparison information for the General Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparisons for nonmajor funds, the combining component unit financial statements and schedules, the Colorado Department of Education Auditor's Electronic Financial Data Check Figures Report, Schedule of Computations of Fiscal Year Spending Under Section 20 of Article X of the State Constitution as required by the State of Colorado, are not a part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparisons schedules for nonmajor funds, the combining component unit financial statements and schedules, the Colorado Department of Education Auditor's Electronic Financial Data Integrity Check Figures, the Schedule of Computations of Fiscal Year Spending, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed described above, and the report of other auditors, the combining and individual nonmajor fund financial statements and schedules, the combining component unit financial statements and schedules, the Colorado Department of Education Auditor's Electronic Data Check Figures, the Schedule of Computations of Fiscal Year Spending, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in the relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2017, on our consideration of Pueblo County School District No. 70's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pueblo County School District No. 70's internal control over financial reporting and compliance.

Harren, Ross & DeNardo, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
Pueblo County School District No. 70
Pueblo County, Colorado
June 30, 2016

As management of the Pueblo County School District No. 70, Pueblo County, Colorado (the District), we offer readers of the District's financial statements this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements, which immediately follow this section.

Financial Highlights

- Since July 1, 2014, the District has been required to apply the Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68). The GASB pronouncement is discussed in more detail under New Accounting Pronouncements on page 6.
- GASB 68 revises and establishes financial reporting requirements for governments that provide their employees with pension benefits. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by the Public Employees' Retirement Association of Colorado (PERA).
- Among other requirements, the District is now required to report its proportionate share of the total PERA Net Pension Liability (NPL) in its government-wide financial statements. The District's share of the PERA NPL is \$129.1 million as of June 30, 2016. Inclusion of this figure in the government-wide financial statements does not indicate that the District has a liability to pay the amount shown. The District's liability is limited to the annually required contributions established by the State Legislature.
- Fund level statements, including the General Fund statements, are not impacted by GASB 68 reporting.
- Due to the effect of GASB 68, the District has a negative net position. The governmental liabilities and deferred inflows of resources exceed its assets and deferred outflows of resources by \$65.0 million.
- The net position of the District includes \$32.81 million invested in capital assets, net of related debt; \$12.40 million restricted for debt service payments; \$2.01 million restricted for emergencies, as defined under the Taxpayer Bill of Rights; Non-spendable and Assigned totaling \$1.68 million; \$0.16 million in a restricted Pre-School Reserve; and an unrestricted net position balance of negative (\$114.08) million. The unrestricted balance is negative due to the effects of GASB 68. The unrestricted balance is also different than what would be reflected on a governmental fund accounting basis due to the accounting treatment in the government-wide statements of accrued salaries and benefits earned but unpaid and compensated absences payable.
- In prior years, the District reported its Food Service operations as a business-type activity separate from governmental activities. Due to a change in State regulations, the Food Services Fund is now reported as a governmental fund and its operations are included in governmental activities.

- The total net position of the District decreased by \$195,903 for the year ended June 30, 2016, primarily due to the accounting treatment of the Net Pension Liability.
- Fund balance of the District's governmental funds increased by \$3,654,883 resulting in an ending fund balance of \$22,337,883. This increase was due primarily to the continuation of tight expense controls in the District.
- During the current fiscal year, the fund balance in the District's General Fund (including the Capital Reserve) increased by \$4,381,603, from \$3,435,870 to \$7,817,473. This is the second consecutive year of revenues outpacing expenditures, reversing a deficit spending trend in years prior.
- The District's long-term obligations decreased by \$5,407,061 to \$101,736,252. Current year principal payments on existing General Obligation debt totaled \$4,065,000.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (MD&A), the basic financial statements, and supplementary information. The MD&A provides an analysis of the District's overall financial position and results of the previous year's operations to assist the users of financial statements to assess whether the government's finances have improved or deteriorated. The basic financial statements include two kinds of statements that present different views of the District.

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

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

Government-wide Financial Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as instruction, transportation, custodial and maintenance, other support services, and administration. The School Finance Act of 1994, as amended, made up of property taxes and state equalization, finances most of these activities.
- *Component Units:* The District has two separate charter schools, Swallows Charter Academy and Connect School. These component units are important because the District is financially accountable for them.

New Accounting Pronouncements

PERA adopted GASB No. 67, *Financial Reporting for Pension Plans* (GASB 67), effective for the year ending December 31, 2014. GASB 67 establishes a shift in financial disclosure requirements from a funding-based approach to an accounting-based approach. The actuarial valuation for accounting purposes emphasizes the obligation an employer incurs to employees through the employment-exchange process. The primary purpose of the valuation for accounting purposes is to provide a consistent, standardized methodology that allows comparability of amounts and increased transparency of the pension liability. GASB 67 requires a different approach for determining the Net Pension Liability ("NPL") as opposed to the previously disclosed Unfunded Accrued Actuarial Liability ("UAAL").

Actuarially Determined Contributions ("ADC") have replaced Annual Required Contributions ("ARC") as the gage of the adequacy of the State's statutory contribution rates. GASB 67 requires the disclosure of the amount of contributions, the ADC amount and the difference between those amounts. The ADC is calculated using the investment rate of return and discount rate assumptions according to the PERA Board's Funding Policy (currently 7.5%). An ADC deficiency arises when contributions are less than the ADC.

The District has no legal obligation to fund PERA's UAAL or ADC, nor does it have any ability to affect funding, benefits or annual required contribution decisions made by PERA in administering the defined benefit pension plan.

Effective with Fiscal Year 2014-2015, the District is required to apply GASB 68. GASB 68 significantly changed pension accounting and financial reporting by requiring an NPL on the Statement of Net Position. Historically, an unfunded pension obligation for employers in a cost-sharing plan, such as PERA, was considered to be a liability to be reported in future periods. Information about the total liability, unfunded and funded, was disclosed only in the notes to the financial statements and as required supplemental information. Financial statements now reflect an NPL based on a model similar to single employer plans.

The current period pension expense primarily results from changes in the components of the NPL. NPL is computed as the difference between the employer's obligation to provide pension benefits earned and funding of those benefits (the plan assets being held in trust); pension amounts earned by current and former employees for past services are recorded as a liability in current statements, not in future statements. Most causes of change in the NPL are included in pension expense immediately. Changes resulting from certain causes are introduced into pension expense over multiple periods. See Note G on pages 33-38 in the Notes to Basic Financial Statements for the full disclosure related to PERA.

Fund Financial Statements

The Fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds, as described below.

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. Governmental fund types used by the District include the General Fund, Debt Service Fund, Capital Projects Fund, Food Service Fund and Special Revenue Funds.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. An *enterprise fund* (one type of proprietary fund) statement is the same as a business-type activity statement but provides more detail and additional information such as cash flows. The Food Service Fund is no longer treated as a proprietary fund. *Internal service funds* (the other kind of proprietary funds) are used by Districts to report activities that provide supplies and services for its other programs and activities.
- *Fiduciary funds:* The District is the agent, or fiduciary, for assets that belong to others, such as the Trust and Agency Fund, which includes funds collected on behalf of school-sponsored pupil organizations and activities. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 24-45 of this report.

District-wide Financial Analysis

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories, accrued revenue, and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax collection process; the District receives approximately 61% of the annual property tax assessment in April, May and June.

Capital assets are used in the operations of the District. These assets are land, improvements, buildings, equipment and vehicles. Capital assets are discussed in greater detail in the section titled, Capital assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets, or new resources that become available during Fiscal 2017. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after Fiscal 2017.

The liabilities of the District activities exceed assets by \$65,021,776 and the Unrestricted Net Position is negative (\$114,075,793). This negative net position is due to the implementation of GASB 68, as discussed earlier, which increased Liabilities with the inclusion of the Net Pension Liability of (\$129,059,082). Measures continue to be successfully implemented by the District to eliminate the negative unrestricted balance which existed at June 30, 2014 and to return to a positive unrestricted balance, net of the pension liability.

The District has a net investment of \$32,810,044 in land, improvements, building, equipment, and vehicles which provide the services to the District's 9,648 public school students. Net position of \$12,397,670, accumulated due to voter approved bonded debt mill levy assessments, has been restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The legally required TABOR reserves have also been restricted in the amount of \$2,005,500.

The following table provides a condensed summary of the District's net position for 2016 compared to 2015:

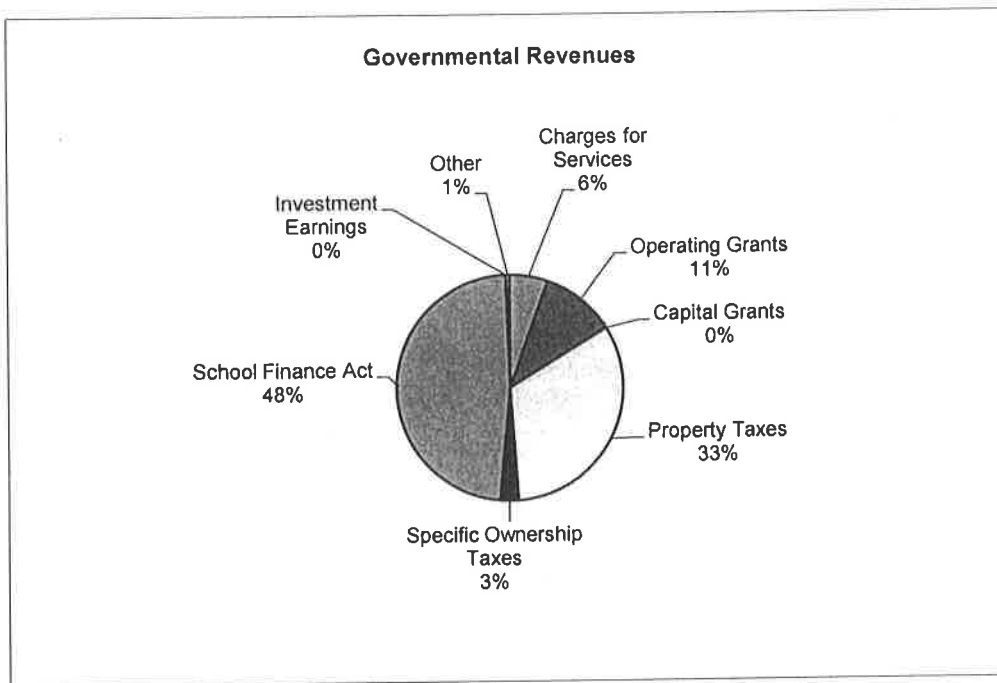
	Governmental Activities	
	2016	2015
Assets		
Current and Other Assets	31,966,765	30,993,955
Capital Assets	<u>138,069,744</u>	<u>142,280,168</u>
Total Assets	170,036,509	173,274,123
Liabilities		
Current Liabilities	16,438,448	18,015,808
Non-Current Liabilities	<u>229,607,561</u>	<u>225,415,354</u>
Total Liabilities	246,046,009	243,431,162
Deferred Inflow/Outflow of Resources		
Deferred Outflow	13,640,928	5,991,958
Deferred Inflow	2,653,204	660,792
Net Position		
Invested in Capital Assets, Net of Related Debt	32,810,044	32,839,503
Restricted	16,243,973	15,053,360
Unrestricted	<u>(114,075,793)</u>	<u>(112,718,736)</u>
Total Net Position	(65,021,776)	(64,825,873)

Table 2 shows the changes in net position for fiscal year 2016 compared to 2015:

	Governmental Activities	
	2016	2015
Revenues		
Program Revenues:		
Charges for Services	4,482,061	4,407,211
Operating Grants & Contributions	8,753,554	8,343,512
Capital Grants and Contributions	48,720	3,050,130
General Revenues:		
Taxes:		
Local Property Taxes	26,442,482	25,394,055
Specific Ownership Taxes	2,196,665	2,065,612
School Finance Act	38,934,936	35,918,970
Earnings on Investments	43,375	56,490
Other	<u>432,625</u>	<u>591,848</u>
Total Revenues	81,334,418	79,827,828
Expenses		
Governmental Activities:		
Direct Instruction	42,280,384	40,778,863
Indirect Instruction	15,505,762	14,628,994
Transportation	2,600,667	2,551,959
Custodial and Maintenance	4,744,230	4,311,535
Other Support Services	11,995,468	10,305,419
General Administration	627,077	577,319
Interest Expense-Unallocated	<u>3,776,733</u>	<u>3,821,037</u>
Total Expenses	81,530,321	76,975,126
Change in Net Position	(195,903)	2,852,702
Net Position - July 1 *	(64,825,873)	(67,678,575)
Net Position - June 30	<u>(65,021,776)</u>	<u>(64,825,873)</u>

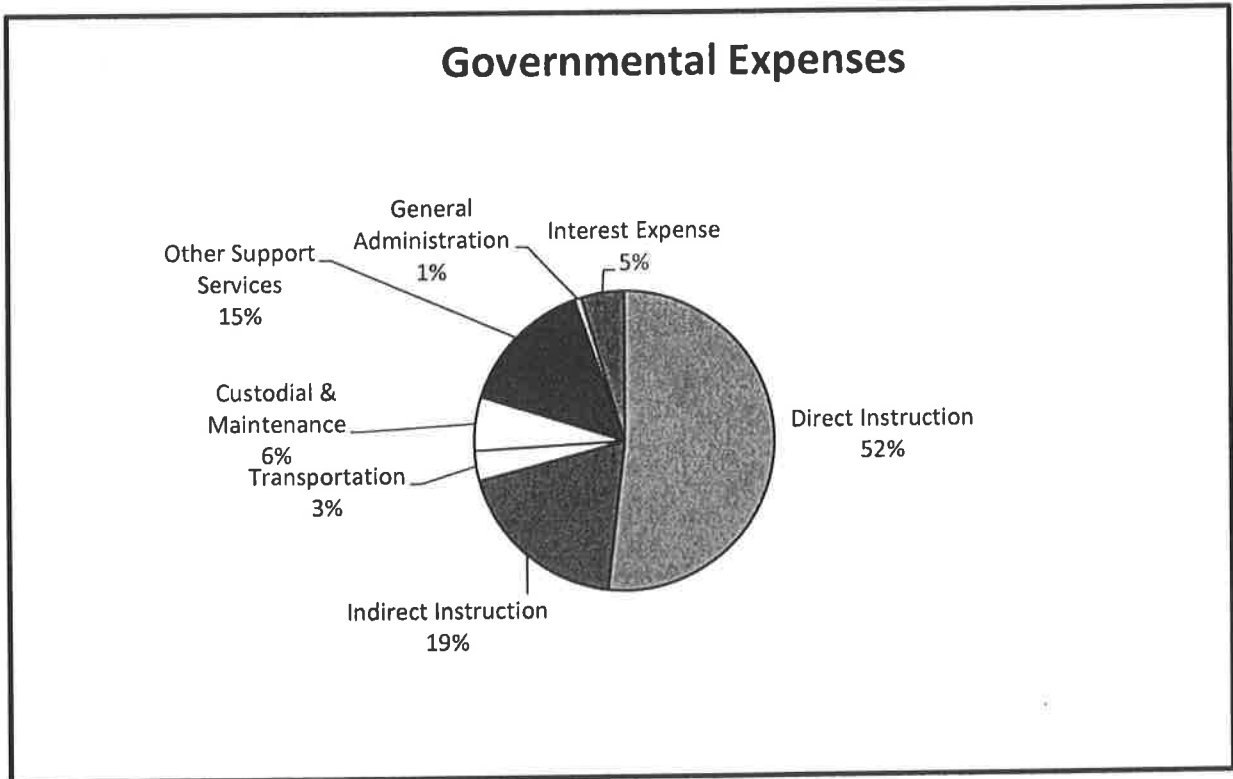
State equalization and taxes (Property Taxes and Specific Ownership Taxes) accounted for most of the District's total revenue. As shown in the graph below, State Equalization (School Finance Act) contributed 48% of total revenues, while Property Taxes and Specific Ownership Taxes contributed 36% of every dollar raised. Another 11% came from state and federal grants for specific programs and the remaining 7% from fees charged for services, investment earnings and miscellaneous sources. As a percentage of total revenue, the State Equalization component increased from 45% in the prior year, while taxes increased from 35% in the prior year. These amounts are determined annually by the state in accordance with the School Finance Act.

Table 3



As shown in Table 4 below, a total of 71% of the District's expenses are related to instructing and caring for (pupil services) students. Transportation accounts for 3% of District expenses, which is higher than many other districts. The District's administrative expenses accounted for only 1% of total costs.

Table 4



Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$6,940 per funded student in FY 2015-16. This is up \$273 from \$6,667 per funded student in FY 2014-15. In Fiscal Year 2015-16 the funded pupil count was 9,157.3. For the 2015-16 fiscal year the District continued to be one of the lowest funded districts in the state. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The District receives approximately 70% of SFA funding from state equalization while the remaining amounts come from property taxes and specific ownership taxes. The District's assessed valuation generated \$26,402,482 in total property taxes (for both operations and bond redemption payments) in fiscal year 2015-16. Due to a small increase in the District's assessed valuation for collection in fiscal year 2016-17, this is expected to again increase in the 2016-17 fiscal year.

The District sets the bond mill rate annually in an amount sufficient to make the annual debt service payment. As a result of significant enrollment growth, the District has requested and received voter approval for bond issues in 1994, 1995, 1999, 2002, and 2012. Accordingly, the bond redemption mill levy increased from 12.925 mills in fiscal year 1996 to 21.964 mills in fiscal year 2005. Subsequently, however, due primarily to growth and the corresponding increase in assessed valuation, the District has experienced a decrease in the bond redemption mill levy. For fiscal year 2016-17, the bond redemption mill levy is 12.963 mills

Financial Analysis of the District's Funds

Detailed information about the District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. For FY 2015-16, all government funds had total revenues, including other financing sources, of \$81,440,326 and expenditures of \$77,785,443. The Debt Service Fund experienced an increase in fund balance, increasing by \$935,917. The Capital Projects Fund had a decrease in fund balance of \$1,773,379, due to the expenditure of funds for capital projects approved by voters in November 2012. The General Fund change in fund balance, after considering Capital Leases and Transfers, was an increase of \$4,381,603.

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.

The District budgets adequate resources to sustain programs designed to ensure that every child has a high quality educational experience. In recent years, state funding reductions and School Finance rescissions has created significant challenges as the District seeks to align resources with the educational goals of the District.

Capital Assets and Debt Administration

By the end of Fiscal 2016, the District had invested \$202,097,457 in land, buildings, Construction in Progress, equipment and transportation vehicles. As shown in Table 5, this is a 1.0% increase in Fiscal 2016 compared to 2015. The District continues to add to plant and equipment as a result of the successful 2012 bond election.

Table 5
Capital Assets at June 30, 2016 and 2015

Additional information on the District's capital assets can be found in Note E on page 31 of this report.

	Governmental Activities		Total Percentage Change
	2016	2015	2015-2016
Land	564,859	564,859	0%
Construction in Progress	14,434,706	41,225,690	-65.0%
Bldg & Improvements	170,373,573	141,799,637	20.2%
Furniture & Fixtures	15,150,975	14,920,543	1.5%
Automotive Equip	<u>1,573,344</u>	<u>1,537,500</u>	<u>2.3%</u>
Total Capital Assets	202,097,457	200,048,229	1.0%

Long-term Debt.

At June 30, 2016, the District had total bonded debt outstanding of \$85,980,000 backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for Capital Leases, Certificates of Participation, Qualified Zone Academy Bonds, and Build America Bonds in the amount of \$15,012,699 outstanding at the end of the current fiscal year. This is a decrease from \$16,453,394 at the end of the prior year.

The total District General Obligation Bonds outstanding decreased by \$4,065,000 during the fiscal year as a result of District bond principal payments. No new General Obligation Bonds were issued by the District.

The District bond ratings were unchanged over the past year. The District continues to maintain an "A2" rating from Moody's Investors Service and "A" from Standard & Poor's Corporation.

State statutes limit the amount of General Obligation debt that the District may issue. At the end of fiscal year 2015-16 the District had \$46.4 million of unused bond capacity. Additional increases in Assessed Valuation, combined with the scheduled payment of principal, is projected to free up more capacity in the ensuing fiscal years, thus providing the needed capacity for future bond issues to be presented to the voters should the need arise. The amount and timing of additional debt issuance in the future, subject to statutory debt limitations and voter approval, will depend on the rate of enrollment growth, capital needs, assessed valuation growth, and the continuing repayment of existing debt.

Additional information on the District's long-term obligations can be found in Notes I and J on pages 39-42 of this report.

Economic Factors and Next Year's Budget and Rates

In November, 2000, the voters of Colorado passed a statewide ballot issue to amend the State Constitution, Amendment 23. This amendment required that the state fund public education at a minimum of growth at inflation plus one percent for the next ten years beginning with fiscal year 2001-2002 and thereafter at inflation.

- For calendar year 2015, the inflation rate was 2.8 percent. Accordingly, in accordance with Amendment 23, the District should receive additional funding of 2.8% for the 2016-17 school year. Because of the State financial crisis in the 2008 - 2012 time-frame, the District experienced a severe shortfall in funding for several years compared with the amounts contemplated under Amendment 23. Thus, because of adjustments, the actual increase for the 2016-17 school year is expected to be 1.2%. Adjustments continue to be made to the funding formula as the State attempts to restore some of the funding lost in past years. Nevertheless, the District continues to receive per pupil revenue well below the Amendment 23 formula amounts, thus causing continued financial strain on the District.

The District is committed to an ongoing review of its programs and services for both effectiveness and efficiency. To accomplish this, the District examines how to best provide essential services on a cost-effective basis and to re-direct resources to the schools.

Requests for Information

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

Pueblo County School District No. 70
Office of the Director of Business Services
24951 Highway 50 East
Pueblo, Colorado 81006

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

STATEMENT OF NET POSITION
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

	<u>Primary Government Governmental Activities</u>	<u>Component Units Charter Schools</u>
Assets		
Cash and equivalents	\$ 23,559,210	\$ 780,932
Cash with County Treasurer	416,107	-
Restricted cash and equivalents	300,887	-
Investments	4,180,211	246,233
Receivables		
Taxes	1,342,074	-
Other	314,644	-
Due from primary government	-	1,750,606
Accrued federal revenue	1,678,614	-
Prepaid expenses	30,000	50,184
Inventories	145,018	-
Capital assets, net of depreciation	138,069,744	4,647,454
Total Assets	<u>170,036,509</u>	<u>7,475,409</u>
Deferred Outflow of Resources		
Bond discount	76,274	-
Related to pensions	13,564,654	3,776,802
Total Deferred Outflows of Resources	<u>13,640,928</u>	<u>3,776,802</u>
Liabilities		
Accounts and interest payable	1,071,487	183,031
Accrued salaries	6,594,078	351,391
Due to component unit	1,745,430	-
Unearned revenue	448,089	-
Long- Term Liabilities		
Due within one year	6,579,364	50,000
Due in more than one year	100,548,479	3,533,200
Net pension liability	129,059,082	8,996,586
Total Liabilities	<u>246,046,009</u>	<u>13,114,208</u>
Deferred Inflow of Resources		
Deferred amount on refunding	130,107	-
Related to pensions	2,523,097	577,067
Total Deferred Inflows of Resources	<u>2,653,204</u>	<u>577,067</u>
Net Position		
Investment in capital assets, net of related debt	32,810,044	1,064,254
Restricted	16,243,973	177,238
Unrestricted	(114,075,793)	(3,680,556)
Total Net Position	<u>\$ (65,021,776)</u>	<u>\$ (2,439,064)</u>

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

STATEMENT OF ACTIVITIES
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Program Revenue		Component Unit	
			Operating Grants and Contributions	Capital Grants and Contributions		Primary Government
Governmental Activities						
Direct instruction	\$ 42,280,384	\$ 608,443	\$ 7,518,438	\$ 24,655	\$ (34,128,848)	-
Indirect instruction	15,505,762	-	1,091,421	5,050	(14,409,291)	-
Transportation	2,600,667	-	-	-	(2,600,667)	-
Custodial and maintenance	4,744,230	-	-	-	(4,744,230)	-
Other support services	11,995,468	3,721,797	83,996	19,015	(8,170,660)	-
General administration	627,077	151,821	59,699	-	(415,557)	-
Interest expense, unallocated	3,776,733	-	-	-	(3,776,733)	-
Total Governmental Activities	81,530,321	4,482,061	8,753,554	48,720	(68,245,986)	-
Component Unit - Charter Schools						
	\$ 7,605,979	\$ 40,591	\$ -	\$ 145,597	\$ -	\$ (7,419,791)
General Revenues						
Local property taxes					\$ 26,442,482	-
Specific ownership taxes					2,196,665	-
School finance act					38,934,936	5,327,072
Earnings on investments					43,375	2
Gain (loss) on sale of capital assets					(772)	-
Other					433,397	323,689
Total General Revenues					68,050,083	5,650,763
Changes in Net Position					(195,903)	(1,769,028)
Net Position - July 1					(64,825,873)	(670,036)
Net Position - June 30					\$ (65,021,776)	\$ (2,439,064)

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

GOVERNMENTAL FUND
FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets					
Cash and cash equivalents	\$ 14,373,377	\$ 7,998,126	\$ 771,734	\$ 415,973	\$ 23,559,210
Cash with County Treasurer	338,606	77,501	-	-	416,107
Restricted cash with fiscal agent	-	-	300,887	-	300,887
Investments, at fair value	1,653	4,115,844	11,954	50,760	4,180,211
Accounts and other receivables	188,494	-	96,135	11,025	295,654
Other taxes receivable	805,875	206,199	-	-	1,012,074
Due from other funds	344,636	-	-	1,006	345,642
Due from component unit	543,540	-	-	-	543,540
Property taxes receivable	225,000	105,000	-	-	330,000
Accrued federal revenue	31,689	-	-	1,646,925	1,678,614
Inventories	72,866	-	-	72,152	145,018
Total Assets	<u>16,925,736</u>	<u>12,502,670</u>	<u>1,180,710</u>	<u>2,197,841</u>	<u>32,806,957</u>
Liabilities					
Accounts payable	315,253	-	50,920	94,818	460,991
Accrued salaries and benefits	5,878,303	-	-	715,775	6,594,078
Due to other funds	2,310	-	-	344,636	346,946
Due to component unit	2,288,970	-	-	-	2,288,970
Unearned revenue	398,427	-	-	49,662	448,089
Total Liabilities	<u>8,883,263</u>	<u>-</u>	<u>50,920</u>	<u>1,204,891</u>	<u>10,139,074</u>
Deferred Inflow of Resources -					
Property taxes	<u>225,000</u>	<u>105,000</u>	<u>-</u>	<u>-</u>	<u>330,000</u>
Fund Balance					
Nonspendable	72,866	-	-	72,152	145,018
Restricted	2,082,063	12,397,670	1,129,790	82,800	15,692,323
Assigned	693,224	-	-	837,998	1,531,222
Unassigned	4,969,320	-	-	-	4,969,320
Total Fund Balances	<u>\$ 7,817,473</u>	<u>\$ 12,397,670</u>	<u>\$ 1,129,790</u>	<u>\$ 992,950</u>	<u>\$ 22,337,883</u>

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

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

Total Fund Balances - Governmental Fund	\$	22,337,883
Property tax receivable-revenues that are not available to pay current expenditures are not on the governmental fund financial statements, but recognized on the government-wide financial statements.		330,000
Revenue receivable that does not provide current financial resources is not recorded in the governmental fund statements.		18,021
Expenditures for services which benefit future periods are treated as prepaid expenses and included in current assets in the government-wide financial statements.		30,000
Capital assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds.		138,069,744
Deferred outflows from refunding debt are not considered current financial resources and not reported in the governmental funds.		76,274
Deferred amount on refunding is not due and payable in the current period and not included in the fund financial statements.		(130,107)
Long-term liabilities for general obligation debt (\$91,371,591), quality zone academy bond debt (\$1,468,341), certificates of participation (\$7,770,000) Build America bonds (\$4,565,724), capital leases (\$1,208,634), CDE funding adjustment (\$143,419) and compensated absences (\$600,134) are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(107,127,843)
Interest payable on general obligation debt is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements since the liability is to be paid in the near term.		(608,223)
Deferred activity related to pension assumptions are not recorded and included in the governmental funds.		13,564,654
Pension contributions subsequent to plan measurement date are not included in the long term liability and are deferred.		(2,523,097)
Net pension liability for the District is a long term liability not due and payable in the current period and therefore not reported in governmental funds.		<u>(129,059,082)</u>
Total Net Position - Governmental Activities	\$	<u>(65,021,776)</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Local property tax	\$ 17,847,432	\$ 8,555,050	\$ -	\$ -	\$ 26,402,482
Specific ownership tax	2,196,665	-	-	-	2,196,665
State sources	47,779,985	-	161,988	81,829	48,023,802
Federal sources	1,172,671	-	-	6,111,250	7,283,921
Other sources	874,121	42,367	97,034	1,847,006	2,860,528
Fund allocations	<u>(5,327,072)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,327,072)</u>
Total Revenues	<u>64,543,802</u>	<u>8,597,417</u>	<u>259,022</u>	<u>8,040,085</u>	<u>81,440,326</u>
Expenditures					
Direct instruction	33,414,495	-	-	3,941,586	37,356,081
Indirect instruction	13,252,160	-	-	1,105,782	14,357,942
Transportation	2,391,616	-	-	182,142	2,573,758
Custodial and maintenance	4,287,968	-	-	8,899	4,296,867
Other support services	3,215,998	-	148,361	3,490,646	6,855,005
General administration	499,396	-	-	59,534	558,930
Capital outlay	89,383	-	1,884,040	95,754	2,069,177
Debt service:					
Principal retirement	1,440,695	4,065,000	-	-	5,505,695
Interest and fiscal charges	615,488	3,596,500	-	-	4,211,988
Total Expenditures	<u>59,207,199</u>	<u>7,661,500</u>	<u>2,032,401</u>	<u>8,884,343</u>	<u>77,785,443</u>
Excess of Revenues Over (Under) Expenditures	<u>5,336,603</u>	<u>935,917</u>	<u>(1,773,379)</u>	<u>(844,258)</u>	<u>3,654,883</u>
Other Financing Sources (Uses)					
Transfers to other funds	(955,000)	-	-	-	(955,000)
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>955,000</u>	<u>955,000</u>
Total Other Financing Sources (Uses)	<u>(955,000)</u>	<u>-</u>	<u>-</u>	<u>955,000</u>	<u>-</u>
Net Change in Fund Balances	4,381,603	935,917	(1,773,379)	110,742	3,654,883
Fund Balances - July 1	<u>3,435,870</u>	<u>11,461,753</u>	<u>2,903,169</u>	<u>882,208</u>	<u>18,683,000</u>
Fund Balances - June 30	<u>\$ 7,817,473</u>	<u>\$ 12,397,670</u>	<u>\$ 1,129,790</u>	<u>\$ 992,950</u>	<u>\$ 22,337,883</u>

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

RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2016

Total Change in Fund Balances - Governmental Funds	\$	3,654,883
Change in receivables - revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		(145,136)
Discount on issuance of certificates of participation to be amortized over the repayment period.		(4,123)
Expenditures for services which benefit a future period are reported as prepaid expenses and included in current assets in the government wide statement of net position. In the governmental fund financial statements they are treated as expenditures when paid.		30,000
Change in property tax receivable - revenues that do not provide current financial resources are not included in the governmental fund financial statements but recognized on the government-wide financial statements.		40,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$6,278,829) exceeds capital outlay (\$2,069,177) in the period.		(4,209,652)
In the government-wide statements, basis in capital assets that have been sold reduces income. In governmental funds the basis is not recognized		(772)
In the government-wide statements the amortization of the deferred refunding amount reduces interest expense. In governmental funds the amortization is not recognized.		28,737
Principal retirements - retirements of principal outstanding on the District's debt result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these reductions against the long-term liabilities.		5,505,695
Premiums on general obligation debt are amortized on the government-wide statements, but are recognized in full in the governmental funds.		366,549
Net pension related items are reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported in the governmental funds.		(5,407,542)
In the government-wide statements accrued compensated absences are measured by the amount earned and unused. In the governmental funds, the expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid). Therefore, the change in the accrued compensated absences is recognized.		(98,634)
Interest payable on general obligation debt is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements, and the change in the liability is recognized.		44,092
Total Change in Net Position - Governmental Activities	\$	<u>(195,903)</u>

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

INTERNAL SERVICE FUND
FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

	Component Unit Swallows Charter School Internal Service <u>Fund</u>
<u>Assets</u>	
Current Assets	
Restricted cash and investments	\$ 246,233
Non-current Assets	
Equipment, net of depreciation	<u>3,398,462</u>
Total Assets	<u>3,644,695</u>
 <u>Liabilities</u>	
Current Liabilities	
Accounts payable	-
Interest payable	26,782
Due to other funds	22,275
Bonds payable - current portion	<u>50,000</u>
Total Current Liabilities	99,057
 Long-term Liabilities	
Bonds payable - long-term portion	<u>3,533,200</u>
Total Liabilities	<u>3,632,257</u>
 <u>Net Position</u>	
Invested in capital assets, net of related debt	61,495
Unrestricted	<u>(49,057)</u>
Total Net Position	<u>\$ 12,438</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

INTERNAL SERVICE FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2016

	Component Unit Swallows Charter School Internal Service <u>Fund</u>
Operating Revenues	
Rental income	\$ 257,528
Operating Expenses	
Purchased services	<u>114,993</u>
Operating Income (Loss)	142,535
Nonoperating Expenses	
Interest expense	(228,662)
Bond Amortization Discount	<u>(9,200)</u>
Change in Net Position	(95,327)
Net Position - July 1	<u>107,765</u>
Net Position - June 30	<u>\$ 12,438</u>

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

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

	Component Unit Swallows Charter School Internal Service Fund
Cash Flows From Operating Activities:	
Cash received from operations	\$ 257,528
Cash paid to suppliers	<u>(718,564)</u>
Net Cash Provided (Used) by Operating Activities	<u>(461,036)</u>
 Cash Flows From Capital and Related Financing Activities:	
Purchase of property and equipment	(672,779)
Bond principal payments	(50,000)
Bond interest payments	<u>(229,137)</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>(951,916)</u>
Net Increase (Decrease) in Cash	(1,412,952)
 Cash - July 1	<u>1,659,185</u>
 Cash - June 30	<u>\$ 246,233</u>
 Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities	
Operating income (loss)	\$ 142,535
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in Assets and liabilities:	
Accounts payable	(624,933)
Due to other funds	<u>21,362</u>
Net Cash Provided by Operating Activities	<u>\$ (461,036)</u>

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

FIDUCIARY FUND
FINANCIAL STATEMENT

STATEMENT OF FIDUCIARY NET POSITION
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

<u>Assets</u>	<u>Student Activity Agency</u>
Cash in bank and on hand	\$ 1,169,097
Accounts receivable	-
Due from other funds	<u>2,273</u>
Total Assets	\$ <u>1,171,370</u>
<u>Liabilities and Fund Equity</u>	
Accounts payable	\$ 12,126
Due to other funds	969
Due to student groups	<u>1,158,275</u>
Total Liabilities and Fund Equity	\$ <u>1,171,370</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Pueblo County School District No. 70, (the School District) conform to generally accepted accounting principles, as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The following is a summary of the District's significant accounting policies:

Reporting Entity

Pueblo County School District No. 70 is an independent school district governed by an elected five member board of education. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Pueblo County School District No. 70 (the primary government) and its component units.

A component unit is a legally separate organization for which elected officials of the primary government are considered to be financially accountable. The component units discussed below are included in the School District's reporting entity. None of the component units are considered to be a major fund.

Discretely Presented Component Units - Charter Schools The State of Colorado Legislature in 1993 enacted the "Charter School Act - Colorado Revised Statutes (CRS) Section 22-30.5-101." This Act permits the District to contract with individuals and organizations for the operation of schools within the District. The statutes define these contracted schools as "Charter Schools." Charter schools are financed from state school finance act revenues, property taxes and from revenues generated by the charter school, within the limits established by the Charter School Act. Charter Schools generally have separate governing boards; however, the Pueblo County School District's Board of Education must approve all Charter School applications and budgets. The Charter Schools do not meet the definition of a component unit but are discretely presented component units as required by the Colorado Department of Education. All charter schools are required to have individual independent audits.

The School District has two charters schools - Connect School and the Swallows Charter Academy.

Blended Component Unit - The School District 70 Education Foundation The Foundation is a 501(c)(3) non-profit entity organized to operate for educational and charitable purposes exclusively for the benefit of the School District, including the support and enrichment of the education of the student. The Foundation is governed by a board approved by the Board of Education of the School District. The Foundation was reported as a special revenue fund within the School District's financial statements. The Foundation issues compiled financial statements. As of June 30, 2013 the Foundation had no net assets and has had no financial transactions since the year ended June 30, 2013. Additional information may be obtained by writing the Foundation, 24951 East U.S. Highway 50, Pueblo, CO 81006 or by calling 1-719-542-0220.

Government-Wide and Fund Financial Statements

The District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from activities of the fiscal year.

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School District and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major governmental funds (General Fund, Debt Service Fund and Capital Projects Fund) are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentations

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the School District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, as are the fiduciary fund statements. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 and claims and judgements, are recorded only when payment is due.

The District's agency funds apply the accrual basis of accounting, but do not have a measurement focus.

Property and specific ownership taxes are reported as receivables and unearned revenue when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements are met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain sick and retirement pay which are accounted for as expenditures when expected to be liquidated with expendable financial resources.

The proprietary fund type is accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of proprietary funds are charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The School District has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures/expenses. The individual funds account for governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The following major funds and fund types are used by the School District:

Governmental Fund Types

The focus of the governmental fund types' measurement is upon determination of financial position and changes in financial position rather than upon net income. The following is a description of the major and nonmajor governmental fund types of the School District:

General Fund

The General Fund, a major fund, records financial transactions for the current educational operations of the School District. All revenues and expenditures not allocated by law or contractual agreement to a special fund are accounted for in this fund.

Activities relating to the Capital Reserve, Preschool and Self Insurance funds have been included in the General Fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes. The Special Revenue Funds consist of the Governmental Designated-Purpose Grants, Pupil Athletic Fund, Food Service Fund and the School District 70 Education Foundation.

The Food Service Fund is used to account for the revenue and expenses related to providing breakfast, lunch and snacks to District students. Revenues include federal and state grants and food sales.

The Governmental Designated-Purpose Grants Fund is used to account for financial resources received from the federal government and other designated-purpose grants for expenditures incurred in carrying out the objectives of these programs.

The Pupil Athletic Fund accounts for funds used for all student athletics.

The School District 70 Education Foundation is organized to operate exclusively for educational and charitable purposes exclusively for the benefit of the School District. The Foundation has been inactive since the fiscal year ended June 30, 2013.

Debt Service Fund

The Debt Service Fund, a major fund, is used to account for the accumulation of resources for, and the payment of interest and principal on long-term debt other than those which may be payable from proprietary fund types.

Capital Projects Fund

The Capital Projects Fund is used to account for bond proceeds expended for the purpose of improving, equipping, and furnishing District buildings and other property.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

The focus of proprietary fund types measurement is upon determination of net income, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary fund types of the School District:

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent is that costs (expenses, including depreciation) of providing goods or services on a continuing basis are financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District has no proprietary funds.

Internal Service Fund

The component unit Swallows Charter Academy uses an internal service fund to account for activity of the Swallows Charter Academy Building Corporation.

Fiduciary Funds

These funds account for assets held by the School District as trustee or agent for individuals, private organizations, and other units of government. Agency funds or custodial funds do not involve the measurement of results of operations (assets equal liabilities). The following is a description of the Fiduciary Fund of the School District:

Trust and Agency Fund

This fund accounts for assets held by the School District which have been collected on behalf of school-sponsored pupil organizations and activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows in the Proprietary Fund, the School District considers all highly liquid investments with a maturity of three months or less when purchased, net of outstanding checks in excess of bank balance, to be cash equivalents.

Budgets and Budgetary Data

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary accounting is employed by the School District as a management control for all funds. Annual operating budgets are adopted each fiscal year through the passage of an annual appropriation resolution for the general fund, special revenue funds, debt service fund and the proprietary funds. For each legally adopted budget, budgetary control exists at the total fund level.
- b. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- c. All unencumbered budget appropriations lapse at the end of each fiscal year.

Inventories

Purchased inventories of the General Fund and Food Service Fund are stated at cost using the first-in, first-out method of determining inventories on hand. Commodity inventories in the Food Service Fund are stated at their fair market value on the date received. Perpetual inventory records are maintained for instructional supplies, plumbing and electrical supplies, and food service inventories. Physical counts were made of all inventories as of June 30, 2016. Inventories were adjusted to reflect the amounts determined by physical count.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The School District's policy is to state investments in their financial statements at fair value. All investment income, including changes in the fair value of investments are reported as investment income on the School District's financial statements.

Capital Assets

All capital assets are capitalized at cost or estimated historical cost. Donated assets are recorded at fair market value at the time of donation. The costs of normal maintenance, repairs and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. The proceeds from the sale of assets used in the operations of the governmental fund types are recorded as revenues in the appropriate fund. The School District does not capitalize interest on the construction of capital assets. The School District maintains a capitalization threshold of \$5,000.

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation of all capital assets used in governmental activities and by proprietary funds is charged as an expense against their operations. Depreciation is recorded starting in the month the asset is placed in service. Estimated useful lives are as follows:

	<u>ESTIMATED USEFUL LIFE</u>
Buildings and improvements	20 to 50 years
Furniture and fixtures	5 to 20 years
Automotive equipment	5 to 10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or the balance sheet will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has two items that qualify for reporting under this category, bond discount and pension related items.

In addition to liabilities, the statement of financial position and or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting under this category. Property taxes, deferred amount on refunding and pension related items. These items are deferred and recognized as an inflow of resources in the period that the amounts become available.

Accounts Payable and Encumbrances

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to June 30, 2016.

Encumbrances represent outstanding purchase orders for goods or services not yet delivered or provided as of June 30, 2016. Encumbrances are not recognized as liabilities or expenditures until the period in which the payable becomes fixed.

Outstanding encumbrances at year-end are recognized as a reservation of fund balance.

There were no outstanding encumbrances at June 30, 2016.

Property Taxes

The School District's ad valorem property tax is levied by each December 15 for all real and business personal property located in the District. The assessed value of the roll on January 1, 2016, upon which the levy for the 2016 fiscal year was based, was \$661,863,913.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

The tax rates assessed for the year ended June 30, 2016 to finance general fund operations and the payment of principal and interest on general long-term debt were \$27.032 and \$12.963 per \$1,000 valuation, respectively, for a total of \$39.995 per \$1,000 valuation.

Property taxes attach as an enforceable lien on property as of January 1 following the levy date. Taxes are payable in two equal payments due before the last day of February and the 15th day of June or in one full payment before the last day of April.

Compensated Absences

The School District affords certain employees sick leave benefits which are vesting, accumulating rights and are carried forward to subsequent years. Payment of unused sick leave, or liability of the School District to the employee, if any, is payable only upon termination of an employee with ten years of continuous service to the District. The benefits are paid at varied rates applied to varied maximum accumulated days, depending on the employee group. The sick pay benefits are recognized at the time of the employee absence (i.e., days off for sick leave) which is in accordance with generally accepted accounting principles for these on-going benefits.

The School District also affords certain employees vacation benefits. These benefits are earned based upon the length of service and accumulation is limited to a maximum of 40 days. Accrued vacation is paid to employees upon termination of employment.

Amounts recognized as expenditures on the fund financial statements are those which have been paid in the current year or are expected to be liquidated with currently available expendable financial resources.

Total accrued vacation is included in the government-wide financial statements.

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between fund balances - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis were eliminated from the governmental fund statements during the consolidation of governmental activities.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2016

NOTE C - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Risk Management

The School District is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The School District carries commercial insurance for such risks, including workers' compensation. The premiums for insurance coverage are paid primarily through the Self Insurance Reserve Fund. Such activities are included in the General Fund. Settled claims resulting from these risks did not exceed commercial insurance coverage during the fiscal year.

NOTE D - CASH DEPOSITS AND INVESTMENTS

Deposits

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

Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to the total uninsured deposits held by that institution. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pool. At June 30, 2016, the District had deposits over \$250,000 in the amount of \$24,197,511. These deposits are required to be collateralized under State Statutes.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial risk parallels Colorado statutes.

A summary of cash and deposits held at year end follows:

<u>Cash and Deposits</u>	<u>Carrying Amount</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<u>Deposits</u>			
Cash	\$ 25,788,470	\$ 25,788,470	\$ -
Cash held by County Treasurer	416,107	416,107	-
Certificates of deposit	21,656	21,656	-
<u>Investments</u>			
State investment pool (ColoTrust)	63,566	63,566	-
Money market mutual fund	436,668	436,668	-
U.S. Government Securities	3,679,977	502,518	3,177,459
U.S. Treasury Obligations	246,233	246,233	-
Total Deposits	\$ 30,652,677	\$ 27,475,218	\$ 3,177,459
Governmental Activities	\$ 28,456,415		
Component Unit	1,027,165		
Fiduciary Fund	1,169,097		
	<u>\$ 30,652,677</u>		

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, banker's acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2016

NOTE D - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District has invested \$63,566 in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal functions of ColoTrust. Substantially all securities owned by ColoTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by ColoTrust.

Interest rate risk - The District's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing rates parallels Colorado statutes. Specifically, all securities are limited to a maximum maturity of five years from the date of purchase unless the governing body authorizes a longer period.

Credit risk - The District does not have a policy that would further limit its choices beyond the requirements of Colorado statutes. As of June 30, 2016, the District's investment in ColoTrust was rated AAm by Standard and Poor's and Aaa by Moody's.

NOTE E - CHANGES IN CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended June 30, 2016:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
<u>Governmental Activities</u>				
Non-Depreciable Assets:				
Land	\$ 564,859	\$ -	\$ -	\$ 564,859
Construction in progress	41,225,690	1,146,306	27,937,290	14,434,706
Total Non-Depreciable Assets	<u>41,790,549</u>	<u>1,146,306</u>	<u>27,937,290</u>	<u>14,999,565</u>
Depreciable Assets:				
Bldg. and improvements	141,799,637	28,573,936	-	170,373,573
Furniture and fixtures	14,920,543	250,381	19,949	15,150,975
Automotive equipment	1,537,500	35,844	-	1,573,344
Total Depreciable Assets	<u>158,257,680</u>	<u>28,860,161</u>	<u>19,949</u>	<u>187,097,892</u>
Less Accumulated Depreciation for:				
Bldg. and improvements	46,011,985	4,417,258	-	50,429,243
Furniture and fixtures	10,581,449	1,817,496	19,178	12,379,767
Automotive equipment	1,174,627	44,076	-	1,218,703
Total Accumulated Depreciation	<u>57,768,061</u>	<u>6,278,830</u>	<u>19,178</u>	<u>64,027,713</u>
Total Capital Assets, Net	<u>\$ 142,280,168</u>	<u>\$ 23,727,637</u>	<u>\$ 27,938,061</u>	<u>\$ 138,069,744</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

NOTE E - CHANGES IN CAPITAL ASSETS (Continued)

<u>Component Unit</u> <u>Charter Schools</u>	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Non-Depreciable Assets:				
Land	\$ 150,912	\$ -	\$ -	\$ 150,912
Construction in progress	2,574,771	-	2,574,771	-
Total Non-Depreciable Assets	<u>2,725,683</u>	<u>-</u>	<u>2,574,771</u>	<u>150,912</u>
Depreciable Assets:				
Bldg. and improvements	1,755,677	3,219,512	-	4,975,189
Furniture and fixtures	42,585	29,571	-	72,156
Equipment	-	55,998	-	55,998
Vehicles	77,326	-	-	77,326
Total Depreciable Assets	<u>1,875,588</u>	<u>3,305,081</u>	<u>-</u>	<u>5,180,669</u>
Less Accumulated Depreciation for:				
Bldg. and improvements	522,661	54,380	-	577,041
Furniture and fixtures	30,165	6,841	-	37,006
Vehicles	60,414	9,666	-	70,080
Total Accumulated Depreciation	<u>613,240</u>	<u>70,887</u>	<u>-</u>	<u>684,127</u>
Total Capital Assets, Net	<u>\$ 3,988,031</u>	<u>\$ 3,234,194</u>	<u>\$ 2,574,771</u>	<u>\$ 4,647,454</u>

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

Governmental activities:	
Direct instruction	\$ 1,278,130
Transportation	26,909
Custodial and maintenance	87,628
Other support services	4,886,163
Total Depreciation Expense - Governmental Activities	<u>\$ 6,278,830</u>

NOTE F - ACCRUED SALARIES AND P.E.R.A.

Salaries of certain contractually employed personnel are paid over a twelve month period, but are earned during the school year, a period of approximately nine months. The amounts representing accrued salaries are those earned through June 30, 2016, but not yet paid by the School District. Accrued P.E.R.A. represents the School District's 19.15% contribution on the accrued salaries. At June 30, 2016 accrued salaries and P.E.R.A. have been recognized as a liability in each of the affected funds.

The accrued salaries and P.E.R.A. by fund at June 30, 2016 were as follows:

General Fund	\$ 5,878,303
Governmental Designated-Purpose Grants Fund	498,706
Food Service Enterprise Fund	154,582
Pupil Athletic Fund	62,487
Component Unit - Charter Schools	351,391
Total Accrued Salaries and P.E.R.A.	<u>\$ 6,945,469</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

NOTE G - DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions

Pueblo County School District No. 70 participates in the School Division Trust Fund (SCHDTF), a cost sharing multiple-employer defined benefit pension fund 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 pension, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

Eligible employees of the Pueblo County School District No. 70 are provided with pensions through the School Division Trust Fund (SCHDTF) - a cost sharing multiple employer defined pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publically available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

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

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

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

In all cases the service retirement benefit is limited to 100 percent of the highest average salary and also cannot exceed the maximum benefit allowed by the 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 the contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living-adjustments, referred to as annual increase in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lessor of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lessor of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2015

NOTE G - DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided (Continued)

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum of 20 years of service credit, if deemed disabled.

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

Contributions

Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	<u>For the Year Ended</u> <u>December 31, 2015</u>	<u>For the Year Ended</u> <u>December 31, 2016</u>
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208 (1)(f)	(1.02)%	(1.02)%
Amount apportioned to SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED as specified in C.R.S. § 24-51-411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	17.33%	18.13%

The above rates are expressed as percentage of salary as defined in C.R.S. § 24-51-101(42)

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 the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the primary government were \$7,013,374 and \$499,325 from the component unit for the year ended June 30, 2016.

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

At June 30, 2016 Pueblo County School District No. 70 reported a liability of \$129,059,082 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December, 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District proportionate share of the net liability was based on contributions to the SCHDTF for calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the District's proportion was .8440636939%, which was a decrease of .0268422903% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$5,407,542. At June 30, 2016, the District reported deferred outflows of the resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2016

NOTE G - DEFINED BENEFIT PENSION PLAN (Continued)

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

<u>Primary Government</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 1,704,696	\$ 5,377
Changes of assumptions or other inputs	-	1,824,317
Net differences between projected and actual earnings on pension plan investments	8,405,354	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	693,403
Contributions subsequent to the measurement date	<u>3,454,604</u>	<u>-</u>
Total	<u>\$ 13,564,654</u>	<u>\$ 2,523,097</u>
<u>Component Unit</u>		
Difference between expected and actual experience	\$ 118,813	\$ 375
Changes of assumptions or other inputs	-	127,150
Net differences between projected and actual earnings on pension plan investments	831,986	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,496,426	449,542
Contributions subsequent to the measurement date	<u>329,577</u>	<u>-</u>
Total	<u>\$ 3,776,802</u>	<u>\$ 577,067</u>

\$3,454,604 for the primary government and \$329,577 for the component unit reported as deferred outflows of resources related to pensions, resulting from the contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ended	<u>Primary Government</u>	<u>Component Unit</u>
2017	\$ 1,159,043	\$ 1,305,748
2018	1,159,043	1,342,205
2019	1,104,250	94,254
2020	<u>4,164,617</u>	<u>127,951</u>
	<u>\$ 7,586,953</u>	<u>\$ 2,870,158</u>

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increase, including wage inflation	3.90% - 10.10%
Long-term investment rate of return, net pension plan investment expense including price inflation	7.50%
Future post-retirement benefits increases - PERA Benefit hired before January 1, 2007	2.00%
PERA Benefit Structure hired after December 31, 2006 (Ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2016

NOTE G -DEFINED BENEFIT PENSION PLAN (Continued)

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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on projection of Scale AA to 2020 with males set back 1 year, and females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and economic assumptions study, adopted by PERA's board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SCHDTF's long-term expected rate of return on pension plan investments was determined using log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) were developed for each major asset class. These ranges were combined to the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

*In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

NOTE G -DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 3.9%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan 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. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Pueblo County School District No. 70 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2016

NOTE G - DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Pueblo County School District No. 70 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Continued)

<u>Primary Government</u>	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 166,663,629	\$ 129,059,082	\$ 96,882,264
<u>Component Unit</u>			
Proportionate share of the net pension liability	\$ 11,663,284	\$ 8,996,586	\$ 6,779,916

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

NOTE H - DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description

Employees of Pueblo County School District No. 70 that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, and Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the plan. That report can be found at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$330,718 for the Voluntary Investment Program.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description

Pueblo County School District No. 70 contributes to the Health Care Trust Fund ("HTCF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HTCF benefits provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HTCF and 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 health care subsidies. PERA issues a publicly available comprehensive annual report that includes financial statements and required supplementary information for the HTCF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2016

NOTE H - DEFINED CONTRIBUTION PENSION PLAN (Continued)

Funding Policy

Pueblo County School District No. 70 is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for Pueblo County School District are established under the Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to HTCF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S. as amended. For the years ending June 30, 2016, 2015 and 2014 the District's contributions to the HTCF were \$390,738, \$383,596 and \$382,944, respectively, equal to their required contributions for each year.

NOTE I - CAPITAL LEASES AND OTHER LONG-TERM OBLIGATIONS

The District has entered into several capital lease agreements for the purchase of equipment and other assets. The lease terms range from 4 to 10 years with interest ranging from 5.1% to 7.5%. The District has also issued a Quality Zone Academy Bonds with a final maturity in 2023 and interest at .59% for the purchase of computer and related technology equipment. Build America Bonds with a final maturity in 2031 and interest at 5.5% for building improvements. In January 2015 the District issued certificates of participation (Cops) with interest rates ranging from 1.5% to 3.75% and final maturity in 2034. The Cops were issued to finance building improvements. Other long-term obligations include accrued compensated absences and a Colorado Department of Education (CDE) funding adjustment. A summary of the changes for the fiscal year follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>	<u>Current Portion</u>
<u>Governmental Activities</u>					
Capital Leases:					
Computer equipment	\$ 81,473	\$ -	\$ 81,473	\$ -	\$ -
Vehicles and equipment	1,795,639	-	587,005	1,208,634	600,935
Quality Zone Academy Bonds	1,644,341	-	176,000	1,468,341	177,000
Build America Bonds	4,826,941	-	261,217	4,565,724	278,010
Certificates of Participation	8,105,000	-	335,000	7,770,000	345,000
Compensated absences	501,500	98,634	-	600,134	-
CDE Funding	143,419	-	-	143,419	143,419
Total Governmental Activities	\$ 17,098,313	\$ 98,634	\$ 1,440,695	\$ 15,756,252	\$ 1,544,364
<u>Component Unit Activities</u>					
Bond payable	\$ 3,670,000	\$ -	\$ 50,000	\$ 3,620,000	\$ 50,000
Discount	(46,000)	-	(9,200)	(36,800)	-
Total Component Unit Activities	\$ 3,624,000	\$ -	\$ 40,800	\$ 3,583,200	\$ 50,000

In July 2014, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$3,680,000 of Charter School Revenue Bonds, Series 2015. Proceeds from the bonds were used for the construction of the Academy's new facility. The Academy is required to make lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at 5.7%. Interest payments are due semi-annually on May 15 and November 15 and principal payments are due annually on November 14. The bonds mature in November 2020.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2016

NOTE I - CAPITAL LEASES AND OTHER LONG-TERM OBLIGATIONS (Continued)

The component unit revenue bonds payable has the following maturities:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 50,000	\$ 204,915	\$ 254,915
2018	55,000	201,923	256,923
2019	60,000	198,646	258,646
2020	<u>3,455,000</u>	<u>98,468</u>	<u>3,553,468</u>
Total	<u>\$ 3,620,000</u>	<u>\$ 703,952</u>	<u>\$ 4,323,952</u>

For financial reporting purposes, the School District follows the requirements of GAAP. For capital leases the present value of minimum lease payments is shown as a liability and related assets are capitalized in the basic financial statements. It is the expectation that the leases will be renewed annually until title to the related property is acquired pursuant to the leases.

The assets acquired through capital leases which have outstanding balances are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 6,967,101
Less: Accumulated depreciation	<u>(1,978,847)</u>
Total	<u>\$ 4,988,254</u>

Capital leases and other long-term obligations have the following minimum annual lease payments:

Fiscal Year Ending	<u>Governmental Funds</u>					
	<u>Capital Leases</u>		<u>Quality Zone Academy</u>		<u>Build America Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 600,935	\$ 28,541	\$ 177,000	\$ 8,663	\$ 278,010	\$ 293,198
2018	607,699	14,374	179,000	7,619	295,885	275,323
2019	-	-	181,000	6,563	314,911	256,297
2020	-	-	183,000	5,495	335,162	236,046
2021	-	-	185,000	4,415	356,719	214,490
2022 - 26	-	-	563,341	6,667	1,876,649	697,224
2027 - 31	-	-	-	-	<u>1,108,388</u>	<u>192,293</u>
Total	<u>\$ 1,208,634</u>	<u>\$ 42,915</u>	<u>\$ 1,468,341</u>	<u>\$ 39,422</u>	<u>\$ 4,565,724</u>	<u>\$ 2,164,871</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

NOTE I - CAPITAL LEASES AND OTHER LONG-TERM OBLIGATIONS (Continued)

Minimum annual lease payments (continued)

Fiscal Year	COPS	
	Principal	Interest
Ending		
2017	\$ 345,000	\$ 237,202
2018	350,000	230,302
2019	360,000	225,152
2020	365,000	218,302
2021	370,000	210,637
2022 - 26	2,005,000	905,008
2027 - 31	2,355,000	562,057
2032-2034	<u>1,620,000</u>	<u>123,000</u>
Total	\$ <u>7,770,000</u>	\$ <u>2,711,660</u>

NOTE J - GENERAL OBLIGATION BONDS

General obligation bonds payable and payments on the bonds for the fiscal year ended June 30, 2016 are comprised of the following:

\$26,400,000 2001 Series General Obligation Refunding bonds, due in semi-annual installments with annual payments ranging from \$120,000 to \$3,985,000 through December 1, 2019. Interest rates range from 3.25% - 5.0%.	\$ 11,395,000
\$17,095,000 2010 Series General Obligation Refunding Bonds, due in semi-annual installments with annual payments ranging from \$80,000 to \$2,040,000 through December 1, 2022. Interest rate 2.984%.	12,560,000
\$8,790,000 2011 Series General Obligation Refunding Bonds, due in semi-annual installments with annual payments ranging from \$1,100,000 to \$2,040,000 through December 2, 2010. Interest rates range from 2.0% to 4.0%.	3,640,000
\$59,545,000 2013 Series General Obligation Bonds, due in semi-annual installments with annual payments ranging from \$905,000 to \$5,800,000 through December 1, 2032. Interest rates range from 2.0% to 5%.	<u>58,385,000</u>
	<u>\$ 85,980,000</u>

	July 1, 2015	Issued	Retired	June 30, 2016	Current Portion
General Obligation Bonds					
Refunding 2001	\$ 11,395,000	\$ -	\$ -	\$ 11,395,000	\$ -
Refunding 2010	14,075,000	-	1,515,000	12,560,000	1,590,000
Refunding 2011	5,085,000	-	1,445,000	3,640,000	2,540,000
Building 2013	59,490,000	-	1,105,000	58,385,000	905,000
Unamortized premiums	<u>5,758,140</u>	<u>-</u>	<u>366,549</u>	<u>5,391,591</u>	<u>-</u>
Totals	\$ <u>95,803,140</u>	\$ <u>-</u>	\$ <u>4,431,549</u>	\$ <u>91,371,591</u>	\$ <u>5,035,000</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2015

NOTE J - GENERAL OBLIGATION BONDS (Continued)

Future years repayment schedule:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 5,035,000	\$ 3,437,950	\$ 8,472,950
2018	5,255,000	3,255,622	8,510,622
2019	5,485,000	3,005,369	8,490,369
2020	5,760,000	2,724,244	8,484,244
2021	4,960,000	2,486,681	7,446,681
2022 - 2026	26,425,000	9,251,594	35,676,594
2027 - 2031	23,510,000	4,236,594	27,746,594
2032 - 2033	<u>9,550,000</u>	<u>345,828</u>	<u>9,895,828</u>
Total	\$ 85,980,000	\$ 28,743,882	\$ 114,723,882

The bonds are secured by the School District's covenant to certify a rate of levy sufficient to meet the principal and interest payments with respect to the bonds. Payment of principal and interest for general obligation bonds is made from the Bond Redemption Fund.

NOTE K - INTERFUND RECEIVABLES AND PAYABLES

A summary of the interfund receivables and payables at June 30, 2016 as reported in the balance sheet for government funds follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$ 888,176	\$ 2,291,280
Nonmajor Governmental Funds	1,006	344,636
Fiduciary Fund	2,273	969
Component Unit	<u>2,288,970</u>	<u>543,540</u>
Total All Funds	\$ 3,180,425	\$ 3,180,425

The General Fund receivable is a result of financing programs in other funds. The General Fund payable is a result of per pupil funding allocations. Other balances are a result of miscellaneous reimbursements.

NOTE L - INTERFUND TRANSFERS

Transfers and allocations are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers during the fiscal year ending June 30, 2016 consisted of transfers and allocations to nonmajor governmental funds from the general fund in the amount of \$955,000.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

NOTE M - FUND BALANCES

Government-wide and Proprietary Fund Net Assets:

Government-wide and proprietary fund net positions are divided into three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consist of net position that is restricted by the District’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balances

Beginning with fiscal year June 30, 2011 the District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definition.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Education, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Education.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Education or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is District policy to use restricted amounts first. Unrestricted fund balance will be used in the following order; committed, assigned and unassigned.

The specific purposes for each fund balance classification on the balance sheet are detailed in the table below:

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2016

NOTE M - FUND BALANCES (Continued)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances					
Nonspendable					
Inventory	\$ 72,866	\$ -	\$ -	\$ 72,152	\$ 145,018
Restricted					
Tabor reserve	1,917,500	-	5,200	82,800	2,005,500
Preschool reserve	164,563				164,563
Capital spending	-	-	1,124,590	-	1,124,590
Debt service	-	12,397,670	-	-	12,397,670
Total Restricted	<u>2,082,063</u>	<u>12,397,670</u>	<u>1,129,790</u>	<u>82,800</u>	<u>15,692,323</u>
Assigned					
Capital reserve	498,670	-	-	-	498,670
Insurance reserve	194,554	-	-	-	194,554
Food service	-	-	-	361,531	361,531
Designated grants	-	-	-	394,985	394,985
Athletic fund	-	-	-	81,482	81,482
Total Assigned	<u>693,224</u>	<u>-</u>	<u>-</u>	<u>837,998</u>	<u>1,531,222</u>
Unassigned					
General Government	<u>4,969,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,969,320</u>
Total Fund Balances	<u>\$ 7,817,473</u>	<u>\$ 12,397,670</u>	<u>\$ 1,129,790</u>	<u>\$ 992,950</u>	<u>\$ 22,337,883</u>

NOTE N - JOINT VENTURE

The School District is a participant with other school districts in a joint venture known as South Central Board of Cooperative Educational Services (Cooperative). The Cooperative is organized under provisions of Colorado law to provide special education services to member school districts in the Cooperative's general area. The member school districts provided approximately 7% of the Cooperative's total annual local resources and each member district appoints a member of its Board of Education to serve on the governing body of the Cooperative. For the year ended June 30, 2016, the District provided \$7,800 to the Cooperative. Complete financial statements for the Cooperative can be obtained from their administrative office at 323 South Purcell Boulevard, Pueblo West, Colorado, 81007.

NOTE O - COMMITMENTS AND CONTINGENCIES

Tax, Revenue, Spending and Debt Limitation

In November, 1992 Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR imposes tax raising, revenue, spending and debt limitations on local government entities within the State of Colorado. These limitations became effective for the first fiscal year beginning after December 31, 1992, which for the School District was the year ended June 30, 1994.

On November 4, 1997, the School District passed a referendum regarding the revenue and spending limits imposed by Article X, section 20 of the Colorado constitution. The referendum allows the District, without increasing or adding any taxes of any kind, to collect, retain and expend all revenues and other funds collected during 1997 and thereafter.

The amendment is complex and subject to judicial interpretation. The School District has made certain interpretations of the amendment's language in order to determine its compliance. The School District believes it is in compliance with the tax raising, revenue, spending, debt and other limitations.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

NOTE O - COMMITMENTS AND CONTINGENCIES (Continued)

Tax, Revenue, Spending and Debt Limitation (Continued)

In addition to the tax raising, revenue, spending and debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies establish an "emergency reserve". To be used for declared emergencies only, each entity must reserve 3% or more of its fiscal year spending excluding bonded debt service. For the year ended June 30, 2016, the School District's reserve requirement was approximately \$2,005,500 and \$164,800 for its component units which represents 3% of fiscal year spending. The District has recognized the emergency reserve in the Insurance Reserve Fund, the Preschool Fund, the Capital Reserve Fund, the Capital Projects Fund, the Designated Grants Fund, the Food Service Fund and the Component Unit.

Federal and State Grants

Federal and State grants are subject to audit by the grantor agencies and any adjustments may become a liability of the appropriate fund. Management believes these adjustments, if any, will not materially affect the District's results of operations or financial position.

Economic Dependency

Funding provided by the State to all public school systems in Colorado is primarily based upon the October 1 student count. The State provided \$48,023,802, which represents approximately 59% of the District's total governmental fund revenues for the year.

Arbitrage Liability

The School District issued general obligation bonds for the purpose of financing voter approved capital construction projects. An arbitrage liability is the requirement to refund a portion of the investment earnings on bond proceeds temporarily invested until construction payments are made if certain statutory spend down requirements are not met. The potential arbitrage liability is not yet determinable. When such a liability, if any, is determined it would be recorded in the government-wide statement of net assets as long-term debt until it is required to be refunded to the Federal government and becomes a current liability.

NOTE P - NET CHANGES IN AGENCY FUNDS

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Funds Held - June 30, 2015	\$ -	\$ -	\$ 1,044,156
Revenue	2,917,070	2,917,070	1,758,856
Expenditures	<u>2,917,070</u>	<u>2,917,070</u>	<u>1,644,737</u>
Funds Held - June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,158,275</u>

The fund balance as of June 30, 2016 on the District's general ledger is reported as the Statement of Fiduciary Net Position.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

	<u>Budgeted Amount</u>			Variance With Final Budget Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local property tax	\$ 17,927,840	\$ 17,890,326	\$ 17,847,432	\$ (42,894)
Specific ownership tax	1,391,756	1,400,836	2,196,665	795,829
State sources	46,257,416	48,106,609	47,779,985	(326,624)
Federal sources	787,208	787,208	1,172,671	385,463
Other sources	495,634	855,587	874,121	18,534
Fund allocations	<u>(4,699,757)</u>	<u>(5,035,012)</u>	<u>(5,327,072)</u>	<u>(292,060)</u>
Total Revenues	<u>62,160,097</u>	<u>64,005,554</u>	<u>64,543,802</u>	<u>538,248</u>
Expenditures				
Direct instruction	34,024,810	35,287,912	33,414,495	1,873,417
Indirect instruction	14,081,240	14,025,116	13,252,160	772,956
Transportation	2,420,500	2,423,000	2,391,616	31,384
Custodial and maintenance	4,321,487	4,729,546	4,287,968	441,578
Other support services	2,947,751	2,984,757	3,215,998	(231,241)
General administration	562,319	564,253	499,396	64,857
Capital outlay	261,250	261,250	89,383	171,867
Debt service:				
Principal retirement	1,440,695	1,440,695	1,440,695	-
Interest and fiscal charges	371,124	371,124	615,488	(244,364)
Contingency	<u>3,057,237</u>	<u>3,237,987</u>	<u>-</u>	<u>3,237,987</u>
Total Expenditures	<u>63,488,413</u>	<u>65,325,640</u>	<u>59,207,199</u>	<u>6,118,441</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,328,316)</u>	<u>(1,320,086)</u>	<u>5,336,603</u>	<u>6,656,689</u>
Other Financing Sources (Uses)				
Transfers to other funds	(951,206)	(959,436)	(955,000)	4,436
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(951,206)</u>	<u>(959,436)</u>	<u>(955,000)</u>	<u>4,436</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(2,279,522)</u>	<u>(2,279,522)</u>	<u>4,381,603</u>	<u>6,661,125</u>
Fund Balances - July 1	<u>2,279,522</u>	<u>2,279,522</u>	<u>3,435,870</u>	<u>1,156,348</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,817,473</u>	<u>\$ 7,817,473</u>

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
Last 10 Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Primary Government			
School's proportion (percentage) of the net pension liability	0.84404636939%	0.8709059842%	0.8762041253%
School's proportionate share of the net pension liability	\$ 129,059,082	\$ 118,019,596	\$ 111,759,600
School's covered-employee payroll	\$ 36,792,524	\$ 36,719,056	\$ 36,636,231
School's proportionate share of the net pension liability as a percentage of covered-employee payroll	350.77%	321.41%	305.05%
Plan fiduciary net position as a percentage of the total pension liability	59.20%	62.80%	64.06%
Connect Charter School - Component Unit			
School's proportion (percentage) of the net pension liability	0.02102697560%	0.0203314245%	0.0238526492%
School's proportionate share of the net pension liability	\$ 3,215,095	\$ 2,755,184	\$ 3,042,399
School's covered-employee payroll	\$ 916,351	\$ 888,415	\$ 907,305
School's proportionate share of the net pension liability as a percentage of covered-employee payroll	350.85%	310.12%	335.32%
Plan fiduciary net position as a percentage of the total pension liability	59.20%	62.80%	64.06%
Swallows Academy - Component Unit			
School's proportion (percentage) of the net pension liability	0.0378%	0.0399000000%	Not
School's proportionate share of the net pension liability	\$ 5,781,491	\$ 5,413,115	Determined by
School's covered-employee payroll	\$ 1,647,388	\$ 1,563,473	Swallows
School's proportionate share of the net pension liability as a percentage of covered-employee payroll	350.90%	346.20%	Academy
Plan fiduciary net position as a percentage of the total pension liability	59.20%	62.80%	

The amounts presented for each fiscal year were determined as of December 31.

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

SCHEDULE OF DISTRICT'S CONTRIBUTIONS AND RELATED PARTIES

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Primary Government			
Statutorily required contributions	\$ 7,013,374	\$ 6,142,030	\$ 5,785,691
Contributions in relation to the statutorily required contributions	<u>7,013,374</u>	<u>6,142,030</u>	<u>5,785,691</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 37,389,300	\$ 36,719,056	\$ 36,636,231
Contribution as a percentage of covered-employee payroll	18.76%	16.73%	15.79%
Connect Charter School - Component Unit			
Statutorily required contributions	\$ 173,901	\$ 150,035	\$ 144,879
Contributions in relation to the statutorily required contributions	<u>173,901</u>	<u>150,035</u>	<u>144,879</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 927,496	\$ 888,415	\$ 907,305
Contribution as a percentage of covered-employee payroll	18.75%	16.89%	15.97%
Swallows Academy - Component Unit			
Statutorily required contributions	\$ 325,424	\$ 289,100	\$ 261,027
Contributions in relation to the statutorily required contributions	<u>325,424</u>	<u>289,100</u>	<u>261,027</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,734,075	\$ 1,614,650	\$ 1,559,857
Contribution as a percentage of covered-employee payroll	18.77%	17.90%	16.73%

The amounts presented for each fiscal year were determined as of June 30.

The schedule is presented to show information for ten years. Until information for the full ten year period is available, information will be presented for the years it is available.

COMBINING FUND STATEMENTS

NON MAJOR FUNDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

	<u>Food Service</u> <u>Fund</u>	<u>Pupil</u> <u>Athletic</u> <u>Fund</u>	<u>Governmental</u> <u>Designated</u> <u>Purpose Grants</u> <u>Fund</u>	<u>Totals</u>
<u>Assets</u>				
Cash in bank and on hand	\$ 107,123	\$ 196,008	\$ 112,842	\$ 415,973
Investments at cost	211	-	50,549	50,760
Accounts receivable	-	-	11,025	11,025
Due from other funds	-	1,006	-	1,006
Accrued federal revenue	464,369	-	1,182,556	1,646,925
Inventories	<u>72,152</u>	<u>-</u>	<u>-</u>	<u>72,152</u>
Total Assets	<u>643,855</u>	<u>197,014</u>	<u>1,356,972</u>	<u>2,197,841</u>
<u>Liabilities</u>				
Accounts payable	16,190	10,345	68,283	94,818
Accrued salaries and P.E.R.A.	154,582	62,487	498,706	715,775
Due to other funds	-	-	344,636	344,636
Unearned revenue	<u>-</u>	<u>-</u>	<u>49,662</u>	<u>49,662</u>
Total Liabilities	<u>170,772</u>	<u>72,832</u>	<u>961,287</u>	<u>1,204,891</u>
<u>Fund Balance</u>				
Nonspendable	72,152	-	-	72,152
Restricted	39,400	42,700	700	82,800
Assigned	<u>361,531</u>	<u>81,482</u>	<u>394,985</u>	<u>837,998</u>
Total Fund Balances	<u>\$ 473,083</u>	<u>\$ 124,182</u>	<u>\$ 395,685</u>	<u>\$ 992,950</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

	Food Service Fund	Pupil Athletic Fund	Governmental Designated Purpose Grants Fund	Totals
Revenues				
State sources	\$ 60,174	\$ -	\$ 21,655	\$ 81,829
Federal sources	2,205,538	-	3,905,712	6,111,250
Other sources	1,269,790	453,471	123,745	1,847,006
Fund allocations	-	-	-	-
Total Revenues	<u>3,535,502</u>	<u>453,471</u>	<u>4,051,112</u>	<u>8,040,085</u>
Expenditures				
Direct instruction	-	1,116,671	2,824,915	3,941,586
Indirect instruction	-	-	1,105,782	1,105,782
Transportation	68	182,074	-	182,142
Custodial and maintenance	8,899	-	-	8,899
Other support services	3,435,718	686	54,242	3,490,646
General administration	-	-	59,534	59,534
Capital outlay	56,463	-	39,291	95,754
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>3,501,148</u>	<u>1,299,431</u>	<u>4,083,764</u>	<u>8,884,343</u>
Excess of Revenues Over (Under) Expenditures	<u>34,354</u>	<u>(845,960)</u>	<u>(32,652)</u>	<u>(844,258)</u>
Other Financing Sources (Uses)				
Transfer to other funds	-	-	-	-
Transfers from other funds	-	955,000	-	955,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>955,000</u>	<u>-</u>	<u>955,000</u>
Net Change in Fund Balance	34,354	109,040	(32,652)	110,742
Fund Balances - July 1	<u>438,729</u>	<u>15,142</u>	<u>428,337</u>	<u>882,208</u>
Fund Balances - June 30	<u>\$ 473,083</u>	<u>\$ 124,182</u>	<u>\$ 395,685</u>	<u>\$ 992,950</u>

**OTHER SUPPLEMENTARY
INFORMATION**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
PUPIL ATHLETIC FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Favorable <u>(Unfavorable)</u>
Revenues				
Other sources	\$ 472,885	\$ 472,885	\$ 453,471	\$ (19,414)
Expenditures				
Direct instruction	1,238,191	1,246,421	1,116,671	129,750
Indirect instruction	-	-	-	-
Transportation	179,400	179,400	182,074	(2,674)
Other support services	1,500	1,500	686	814
Capital outlay	-	-	-	-
Total Expenditures	<u>1,419,091</u>	<u>1,427,321</u>	<u>1,299,431</u>	<u>127,890</u>
Excess of Revenues Over (Under) Expenditures	(946,206)	(954,436)	(845,960)	108,476
Other Financing Sources (Uses)				
Transfers from other funds	<u>946,206</u>	<u>954,436</u>	<u>955,000</u>	<u>564</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	109,040	109,040
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>15,142</u>	<u>15,142</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,182</u>	<u>\$ 124,182</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2016

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Federal sources	\$ 4,090,710	\$ 4,672,841	\$ 3,905,712	\$ (767,129)
State sources	-	-	21,655	21,655
Other sources	<u>1,703,411</u>	<u>1,703,411</u>	<u>123,745</u>	<u>(1,579,666)</u>
Total Revenues	<u>5,794,121</u>	<u>6,376,252</u>	<u>4,051,112</u>	<u>(2,325,140)</u>
Expenditures				
Direct instruction	4,007,369	4,611,533	2,824,915	1,786,618
Indirect instruction	1,674,090	1,622,664	1,105,782	516,882
Custodial and maintenance	-	-	-	-
Other support services	96,086	90,174	54,242	35,932
General administration	16,576	51,881	59,534	(7,653)
Capital outlay	-	-	39,291	(39,291)
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>5,794,121</u>	<u>6,376,252</u>	<u>4,083,764</u>	<u>2,292,488</u>
Excess of Revenues Over (Under) Expenditures	-	-	(32,652)	(32,652)
Fund Balances - July 1	-	-	<u>428,337</u>	<u>428,337</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,685</u>	<u>\$ 395,685</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
DEBT SERVICE FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,862,154	\$ 7,862,154	\$ 8,555,050	\$ 692,896
Other sources	<u>35,000</u>	<u>35,000</u>	<u>42,367</u>	<u>7,367</u>
Total Revenues	<u>7,897,154</u>	<u>7,897,154</u>	<u>8,597,417</u>	<u>700,263</u>
Expenditures				
Debt service:				
Principal retirement	4,065,000	4,065,000	4,065,000	-
Interest and fiscal charges	3,604,025	3,604,025	3,596,500	7,525
Contingency	<u>228,129</u>	<u>228,129</u>	<u>-</u>	<u>228,129</u>
Total Expenditures	<u>7,897,154</u>	<u>7,897,154</u>	<u>7,661,500</u>	<u>235,654</u>
Excess of Revenues Over (Under) Expenditures	-	-	935,917	935,917
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>11,461,753</u>	<u>11,461,753</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,397,670</u>	<u>\$ 12,397,670</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
CAPITAL PROJECTS FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

	Budgeted Amount		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
State sources	\$ -	\$ -	\$ 161,988	\$ 161,988
Other sources	-	-	97,034	97,034
Total Revenues	-	-	259,022	259,022
Expenditures				
Other support services	99,123	100,070	148,361	(48,291)
Capital Outlay	5,902,500	5,901,553	1,884,040	4,017,513
Total Expenditures	6,001,623	6,001,623	2,032,401	3,969,222
Excess of Revenues Over (Under) Expenditures	(6,001,623)	(6,001,623)	(1,773,379)	4,228,244
Other Financing Sources (Uses)				
Bond proceeds	6,001,623	6,001,623	-	(6,001,623)
Premium on issuance	-	-	-	-
Total Other Financing Sources (Uses)	6,001,623	6,001,623	-	(6,001,623)
Net Change in Fund Balances	-	-	(1,773,379)	(1,773,379)
Fund Balances - July 1	-	-	2,903,169	2,903,169
Fund Balances - June 30	\$ -	\$ -	\$ 1,129,790	\$ 1,129,790

STATEMENT OF REVENUES EXPENSES AND CHANGE IN NET ASSETS
BUDGET AND ACTUAL (BUDGET BASIS)
FOOD SERVICE FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal sources	\$ 2,037,000	\$ 2,037,000	\$ 2,205,538	\$ 168,538
State sources	103,600	103,600	60,174	(43,426)
Local sources	<u>1,609,400</u>	<u>1,609,400</u>	<u>1,269,790</u>	<u>(339,610)</u>
Total Revenues	<u>3,750,000</u>	<u>3,750,000</u>	<u>3,535,502</u>	<u>(214,498)</u>
Expenditures				
Transportation	-	-	68	(68)
Custodial and maintenance	6,000	6,000	8,899	(2,899)
Other support services	3,656,000	3,656,000	3,435,718	220,282
Capital outlay	<u>88,000</u>	<u>88,000</u>	<u>56,463</u>	<u>31,537</u>
Total Expenditures	<u>3,750,000</u>	<u>3,750,000</u>	<u>3,501,148</u>	<u>248,852</u>
Excess of Revenues Over (Under) Expenditures	-	-	34,354	34,354
Fund Balances - July 1 (Restated)	<u>-</u>	<u>-</u>	438,729	438,729
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473,083</u>	<u>\$ 473,083</u>

COMBINING BALANCE SHEET
COMPONENT UNIT - CHARTER SCHOOLS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2016

	<u>Connect School</u>	<u>Swallows Charter Academy</u>	<u>Total Charter Schools</u>
Assets			
Cash in bank and on hand	\$ 29,326	\$ 751,606	\$ 780,932
Due from the District	2,220,373	73,773	2,294,146
Due from other funds	-	22,275	22,275
Prepaid Expenses	-	50,184	50,184
	<u>2,249,699</u>	<u>897,838</u>	<u>3,147,537</u>
Total Assets			
Liabilities and Fund Balances			
Accounts payable	21,162	135,087	156,249
Accrued salaries and P.E.R.A.	156,129	195,262	351,391
Due to the District	543,540	-	543,540
	<u>720,831</u>	<u>330,349</u>	<u>1,051,180</u>
Total Liabilities			
Fund Balances			
Nonspendable	-	50,184	50,184
Restricted - Tabor Reserve	50,800	114,000	164,800
Assigned - Charter School Operations	1,478,068	403,305	1,881,373
	<u>1,528,868</u>	<u>567,489</u>	<u>2,096,357</u>
Total Fund Balances			
Amounts reported for component unit activities in the statement of net position are different because:			
Component Unit Total Fund Balances	\$ 1,528,868	\$ 567,489	\$ 2,096,357
Capital assets, net of depreciation	12,831	1,236,161	1,248,992
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Contributions subsequent to measurement date, the difference between expected and actual investment earnings.	466,845	-	466,845
Internal service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.	-	12,438	12,438
Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Difference between expected and actual experience and the change in proportionate share.	(495,123)	-	(495,123)
The long-term liability for pension is not due and payable in the current period and therefore, not reported in the governmental funds.	<u>(3,215,095)</u>	<u>(2,553,478)</u>	<u>(5,768,573)</u>
Net Position of Component Unit Activities	<u>\$ (1,701,674)</u>	<u>\$ (737,390)</u>	<u>\$ (2,439,064)</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMPONENT UNIT - CHARTER SCHOOLS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

	<u>Connect School</u>	<u>Swallows Charter Academy</u>	<u>Total Charter Schools</u>
Revenues			
Other sources	\$ 2	\$ -	\$ 2
Local sources	-	3,790,952	3,790,952
Federal and State sources	-	145,597	145,597
Fund allocations	<u>1,642,872</u>	<u>-</u>	<u>1,642,872</u>
Total Revenues	<u>1,642,874</u>	<u>3,936,549</u>	<u>5,579,423</u>
Expenditures			
Direct instruction	1,087,019	2,054,046	3,141,065
Indirect instruction	425,984	-	425,984
Custodial and maintenance	69,576	-	69,576
Other support services	27,643	1,740,872	1,768,515
General administration	23,892	-	23,892
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,634,114</u>	<u>3,794,918</u>	<u>5,429,032</u>
Excess of Revenues Over (Under) Expenditures	8,760	141,631	150,391
Fund Balances - July 1	<u>1,520,108</u>	<u>425,858</u>	<u>1,945,966</u>
Fund Balances - June 30	<u>\$ 1,528,868</u>	<u>\$ 567,489</u>	<u>\$ 2,096,357</u>
Amounts reported for component unit activities in the statement of activities are different because:			
Component Unit Net change in Fund Balances	\$ 8,760	\$ 141,631	\$ 150,391
The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities	-	(95,327)	(95,327)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay	(3,047)	(10,309)	(13,356)
Net pension related items are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.	<u>(301,949)</u>	<u>(1,508,787)</u>	<u>(1,810,736)</u>
Change in Net Position of Component Unit Activities	<u>\$ (296,236)</u>	<u>\$ (1,472,792)</u>	<u>\$ (1,769,028)</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
CONNECT SCHOOL
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Other sources	\$ -	\$ -	\$ 2	\$ 2
Fund allocations	<u>1,550,998</u>	<u>1,544,425</u>	<u>1,642,872</u>	<u>98,447</u>
Total Revenues	<u>1,550,998</u>	<u>1,544,425</u>	<u>1,642,874</u>	<u>98,449</u>
Expenditures				
Direct instruction	1,363,988	1,360,938	1,087,019	273,919
Indirect instruction	468,548	492,464	425,984	66,480
Custodial and maintenance	36,783	69,921	69,576	345
Other support services	27,336	27,336	27,643	(307)
General administration	-	-	23,892	(23,892)
Capital outlay	80,000	80,000	-	80,000
Contingency	<u>813,203</u>	<u>752,626</u>	<u>-</u>	<u>752,626</u>
Total Expenditures	<u>2,789,858</u>	<u>2,783,285</u>	<u>1,634,114</u>	<u>1,149,171</u>
Excess of Revenues Over				
(Under) Expenditures	(1,238,860)	(1,238,860)	8,760	1,247,620
Fund Balances - July 1	<u>1,238,860</u>	<u>1,238,860</u>	<u>1,520,108</u>	<u>281,248</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,528,868</u>	<u>\$ 1,528,868</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
SWALLOWS CHARTER ACADEMY
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

	Budgeted Amount		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Charges for services	\$ -	\$ -	\$ 40,591	\$ 40,591
Federal and state sources	123,235	145,597	145,597	-
Other	-	-	66,161	66,161
Fund allocations	<u>3,480,554</u>	<u>3,684,200</u>	<u>3,684,200</u>	<u>-</u>
Total Revenues	<u>3,603,789</u>	<u>3,829,797</u>	<u>3,936,549</u>	<u>106,752</u>
Expenditures				
Salaries	1,856,705	1,891,945	1,918,093	(26,148)
Employee benefits	560,725	561,402	536,794	24,608
Purchased services	945,803	1,001,815	896,449	105,366
Supplies and materials	171,000	190,272	160,348	29,924
Property	65,000	97,500	101,003	(3,503)
Other	<u>2,200</u>	<u>70,537</u>	<u>182,231</u>	<u>(111,694)</u>
Total Expenditures	<u>3,601,433</u>	<u>3,813,471</u>	<u>3,794,918</u>	<u>18,553</u>
Excess of Revenues Over (Under) Expenditures	2,356	16,326	141,631	125,305
Fund Balances - July 1	<u>425,858</u>	<u>425,858</u>	<u>425,858</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 428,214</u>	<u>\$ 442,184</u>	<u>\$ 567,489</u>	<u>\$ 125,305</u>

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2016

	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education			
Title 1 - Grants to Local Educational Agencies	84.010	4010	\$ 1,165,979
Migrant Education - State Grant Program	84.011	4011	545,713
Special Education - Grants to States	84.027	4027, 5027, 9027	1,484,472
Special Education - Preschool Grant	84.173	4173	16,591
Career and Technical Education - Basic Grants to States	84.048	4048	54,382
Race to the Top - Early Learning Challenge	84.412	5412	5,818
Advanced Placement Program (Advanced Placement Test Fee)	84.330	5330	2,626
English Language Acquisition Grants	84.365	4365	19,036
Title II B - Mathematics and Science Partnership	84.366	5366	431,112
Improving Teacher Quality State Grants	84.367	4367	<u>179,964</u>
Total U.S. Department of Education			<u>3,905,693</u>
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education			
School Breakfast Program	10.553	4553	653,605
National School Lunch Program	10.555	4555	1,525,514
Summer Food Service Program for Children	10.559	4559	<u>26,419</u>
Total U.S. Department of Agriculture			<u>2,205,538</u>
<u>Other Federal Assistance</u>			
Department of the Army			
ROTC Salary reimbursement	12.000	9001	<u>136,275</u>
Total Other Federal Assistance			<u>136,275</u>
Total Federal Assistance			<u>\$ 6,247,506</u>

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

NOTE A - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pueblo County School District No. 70 and is presented on the modified accrual basis of accounting for governmental fund types and the accrual basis of accounting for proprietary fund types. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

NOTE B - RISK BASED AUDIT APPROACH

The dollar threshold used to distinguish between Type A and Type B programs is \$750,000. The District does qualify as a low-risk auditee.

NOTE C - FOOD DISTRIBUTION

Commodities donated to the District by the U.S. Department of Agriculture (USDA) of \$211,352 are valued based on the USDA's Donated Commodity Price List.

NOTE D - AMOUNTS AWARDED TO SUB-RECIPIENTS

Included in the total amount expended for the Migrant Education Grant (CFDA #84.011) is \$31,925 that was passed through to four sub-recipients that administered the program in their own Districts.

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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

February 21, 2017

Board of Education
Pueblo County School District No. 70
Pueblo, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County School District No. 70 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Pueblo County School District No. 70's basic financial statements and have issued our report thereon dated February 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pueblo County School District No. 70's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pueblo County School District No. 70's internal control. Accordingly, we do not express an opinion on the effectiveness of Pueblo County School District No. 70's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, as items 2016-001 through 2016-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pueblo County School District No. 70's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-005.

Pueblo County School District No. 70's Response to Findings

Pueblo County School District No. 70's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Pueblo County School District No. 70's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Garren, Ross & DeNardo, Inc.

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance www.grdcpa.com

February 21, 2017

Board of Education
Pueblo County School District No. 70
Pueblo, Colorado

Report on Compliance for Each Major Federal Program

We have audited Pueblo County School District No. 70's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pueblo County School District No. 70's major federal programs for the year ended June 30, 2016. Pueblo County School District No. 70's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pueblo County School District No. 70's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pueblo County School District No. 70's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pueblo County School District No. 70's compliance.

Opinion on Each Major Federal Program

In our opinion, Pueblo County School District No. 70 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-005. Our opinion on each major federal program is not modified with respect to these matters.

Pueblo County School District No. 70's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Pueblo County School District No. 70's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Pueblo County School District No. 70 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pueblo County School District No. 70's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pueblo County School District No. 70's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-003 and 2016-005, that we consider to be significant deficiencies.

Pueblo County School District No. 70's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Pueblo County School District No. 70's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Garru, Ross & DeUardo, LLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

SECTION I - SUMMARY OF AUDIT RESULTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes xno
- Significant deficiency(ies) identified that are not considered to be material weaknesses? xyes ___no

Noncompliance material to financial statements noted? ___yes xno

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___yes xno
- Significant deficiency(ies) identified that are not considered to be material weaknesses? xyes ___no

Type of auditor's reported issued on compliance for major programs: Unmodified

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.011	Migrant Education - State Grant Program
<u>National School Breakfast/Lunch Program</u>	
10.553	National School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? xyes ___no

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

2016-001 Changes in Fixed Assets Should be Maintained on an On-going Basis
(Repeat Finding 15-02)

Condition and Context:
 Changes in fixed assets resulting from current year additions and/or deletions should be maintained on an on-going basis.

Criteria:
 Procedures should be performed to maintain changes in fixed assets on a monthly basis.

Cause:
 The current procedures do not allow for timely review of current additions and/or deletions until after the fiscal year end.

Effect:
 The volume of activity to review can delay the completion of the financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2016-001 Changes in Fixed Assets Should be Maintained on an On-going Basis (Continued)

(Repeat Finding 15-02)

Recommendation:

A significant portion of the record keeping involved in accounting for the changes in fixed assets should be completed on a monthly basis rather than at or after the fiscal year end. Accuracy has improved but majority of work is still done at or after year end.

Response:

The School District continues to improve on the timeliness of the reconciliations.

2016-002 Ticket sales at athletic and other similar events

(Repeat Finding 15-04)

Condition and Context:

The procedures and reports being used for ticket sales at athletic events and other similar events are not standardized and should include appropriate controls.

Criteria:

Additional procedures should be established to improve internal controls. We are not aware of a formal policy being adopted and communicated to all affected levels within the District.

Cause:

Procedures and controls were not always followed at various athletic events and other similar events.

Effect:

A failure to implement better controls could lead to misappropriation of funds.

Recommendation:

Standard reports should be developed and used at all locations for ticket sales at such events. This should include the use of pre-numbered tickets and related control over their access and distribution.

Response:

The District continues to review the recommendation and will determine what procedures need to be improved.

2016-003 Coding of Grant Revenues and Expenditures

(Repeat Finding 15-05)

Condition and Context:

The correct coding of grant revenues and expenditures, and reconciling the resulting general ledger totals to any reports required to be submitted to CDE or other granting/oversight agencies, should be improved. Grant administrators should verify their records are in agreement with the general ledger detail and any variances should be investigated and corrected, if necessary, on a timely basis.

Criteria:

Internal control procedures need to be improved to ensure proper coding and reconciling of grant revenue and expenditures.

Cause:

Internal control and procedures were not always followed to ensure that the grant revenue and expenditures were properly recorded.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2016-003 Coding of Grant Revenues and Expenditures (Continued)

(Repeat Finding 15-05)

Effect:

The financial statements would not reflect an accurate accounting of each grant revenue and expenditures.

Recommendation:

Improvements have been made in coding grant revenue and expenditures correctly. The internal control procedures should be followed to ensure that the expenditures are coded correctly and the reports filed to the granting agencies reconcile to the general ledger.

Response:

The School District will continue to make improvements and review their current procedures along with this recommendation.

2016-004 Balances Outstanding Between Funds Should be Cleared on a Timely Basis

(Repeat Finding 15-06)

Condition and Context:

Balances outstanding between the General Fund and Charter Schools to the Insurance Reserve and Capital Reserve Funds are not being cleared (paid) on a timely basis.

Criteria:

Procedures should be in place to ensure that the amounts outstanding from the previous fiscal year are paid as soon as possible and the allocations for the current year should be kept current.

Cause:

The current procedures are not allowing these balances to be cleared (paid) on a timely basis.

Effect:

Because the current procedures are not consistent, balances are not cleared (paid) on a timely basis.

Recommendation:

Improvements have been made. It is recommended that outstanding amounts from the previous fiscal year should be paid as soon as possible and the allocations for the current year be kept current.

Response:

The School District will review their current procedures along with this recommendation to address the timeliness of these payments.

SECTION III - FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

2016-005 Reimbursement claim forms/reports

Condition and Context:

During the previous year audit some errors were discovered which resulted in expenditures being duplicated on the reimbursement requests, resulting in questioned costs of \$16,719.16, which were never repaid to the granting agency. During the current year audit we had some of the same findings resulting in questioned costs of \$2,373.87, however, we also had expenditures incurred by the District that were not included on any reimbursement request in the amount of \$5,671.65. The District may need to contact the granting agency and determine if they can net the expenditures that were not included on reimbursement requests against the expenditures that were duplicated.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2016

SECTION III - FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT (Continued)

2016-005 Reimbursement claim forms/reports (Continued)

Criteria:

The current controls that the District have in place should be followed. The reimbursement forms should be reconciled to the detailed transactions recorded in the general ledger.

Questioned Costs:

The net of the questioned costs identified with this finding are \$13,421.38.

Cause:

The procedures were not followed to ensure that the underlying expenditures requested for reimbursement agreed with the general ledger.

Effect:

\$13,421.38 in federal award monies were reimbursed to the District in error and may be considered unallowable costs.

Recommendation:

Reimbursement claim forms/reports submitted for government grants should be reconciled to the detailed transactions recorded in the general ledger prior to submitting such claims. The District has had this control in place for years in an effort to ensure that grant reporting is accurate and corresponds to general ledger totals reflected in the financial statements.

Response:

The School District will review their current procedures along with this recommendation.

SECTION IV - PRIOR YEAR FINDINGS

2015-007 Reimbursement claim forms/reports and pass-through entities

Condition and Context:

Some errors were discovered which resulted in expenditures being duplicated in reimbursement requests and some supporting documentation not being collected contemporaneously. These errors resulted in the District receiving more funding than the actual expenditures would justify. These amounts are required to be returned to the granting agency. Failure to complete these tasks could result in material errors which may not be discovered in a timely fashion and potentially become financially burdensome.

Criteria:

The current controls that the District have in place should be followed. The reimbursement forms should be reconciled to the detailed transactions recorded in the general ledger and supporting documentation from pass-through entities should be reviewed prior to submitting claims for reimbursement.

Questioned Costs:

Total Questioned costs identified with this finding are \$16,719.16

Cause:

The procedures were not followed to ensure that the underlying expenditures were incurred relating to pass-through entities and that expenditures requested for reimbursement agreed with the general ledger.

Effect:

\$16,719.16 in federal award monies were reimbursed to the District in error and may be considered unallowable costs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2016

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDITING FINDINGS (Continued)

2015-007 Reimbursement claim forms/reports and pass-through entities (Continued)

Recommendations:

Reimbursement claim forms/reports submitted for government grants should be reconciled to the detailed transactions recorded in the general ledger prior to submitting such claims. The District has had this control in place for years in an effort to ensure that grant reporting is accurate and corresponds to general ledger totals reflected in the financial statements. Further, proper supporting documentation must be received from pass-through entities to properly support their expenditures. This is required to adequately monitor sub-recipients activities where the program expenditures are sometimes made.

Response:

Partially implemented - see finding 2016-005

00-2 Coding Federal Expenditures

Condition:

Coding of federal expenditures in Designated Grant Fund could be improved.

Recommendation:

Internal control procedures need to be followed as implemented to ensure that the expenditures are coded correctly. Grant administrators should verify their records are in agreement with the general ledger detail and any variances should be investigated and corrected, if necessary, on a timely basis.

Current Status:

Partially implemented See Finding 2016-005

The finding was first reported in 2000. The District has improved but not fully implemented. Reports filed with granting agencies are not always reconciled to the general ledger detail on a timely basis.

SCHEDULE OF FISCAL YEAR SPENDING COMPUTATIONS
PURSUANT TO ARTICLE X, SECTION 20
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

1.	Total Fiscal Year Expenditures for All Funds Listed (Expenditures, plus changes in fund balances, less transfers)		
	a. General Fund (includes Preschool, Insurance Reserve and Capital Reserve Funds)	\$ 63,641,836	
	b. Governmental Designated-Purpose Grants Fund	4,083,764	
	c. Pupil Athletic Fund (Special Revenue Funds)	1,408,472	
	d. Bond Redemption Fund	7,661,500	
	e. Food Service Fund	3,535,502	
	f. Charter Schools (Connect School only)	1,642,874	
	g. Capital Projects Funds	<u>2,032,401</u>	
	Total Fiscal Year Expenditures		\$ 84,006,349
2.	Deduct the Following Expenditures Included in Above Totals		
	a. Expenditures from Gifts/Foundations	158,212	
	b. Expenditures from Federal Grants	7,283,921	
	c. Revenue Transfers	208,225	
	d. Expenditures from Designated Reserves	1,859,065	
	e. Expenditures from Proceeds of Damage Awards	350,577	
	f. Expenditures from the Sale of School Property	-	
	g. Other Sources, Additions, and Debt Proceeds	<u>7,661,500</u>	
	Total Fiscal Year Deductions		<u>17,521,500</u>
3.	Total Spending Subject to TABOR for FYE 6-30-2016		<u>\$ 66,484,849</u>
4.	Total Spending Subject to TABOR for FYE 6-30-2015		\$ 65,503,618
5.	Percentage Change in Denver/Boulder CPI	2.777 %	
6.	Percentage Change in Student Enrollment	<u>2.921 %</u>	
7.	Total Percentage Change	<u>5.698 %</u>	
8.	Change in Permitted Spending Based on Percentage Changes		<u>3,732,396</u>
9.	Maximum Spending Subject to TABOR for FYE 6-30-2016		<u>\$ 69,236,014</u>
10.	FYE 6-30-2016 Spending Over (Under) Allowable Amount		<u>\$ (2,751,165)</u>

Note - the School District passed a referendum regarding revenue and spending limitations on November 4, 1997.

The accompanying notes are an integral part of this schedule.

**RECONCILIATION OF AUDITOR'S ELECTRONIC FINANCIAL DATA INTEGRITY
CHECK FIGURES TO GOVERNMENTAL FUND FINANCIAL STATEMENTS**

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2016

<u>Charter School / Component Unit</u>	<u>Balance Per ADE</u>	<u>Not Included- Swallows Charter Internal Service Fund</u>	<u>Shown in Different Category on Fund Statement</u>	<u>Rounding</u>	<u>Balance Per Governmental Fund Financial Statements</u>
Beginning fund balance / Net position	\$ 2,053,729	\$ (107,765)	-	2	\$ 1,945,966
Revenues	5,570,223	(257,528)	266,728	-	5,579,423
Expenditures	5,515,159	(352,855)	266,728	-	5,429,032
Ending fund balance	2,108,793	(12,438)	-	2	2,096,357

The difference between the ADE reports and the governmental fund financial statements are due to the Swallows Charter Academy Internal Service Fund. The Internal Service Fund is not included in the fund statements.

<u>General Fund</u>					
Revenues	63,588,803	-	-	(1)	63,588,802
Expenditures	59,207,200	-	-	(1)	59,207,199
Ending Fund Balance	7,817,472	-	-	1	7,817,473
<u>Governmental Designated-Purpose Grants Fund</u>					
Beginning Fund Balance	428,336	-	-	1	428,337
<u>Bond Redemption Fund</u>					
Revenues	8,597,418	-	-	(1)	8,597,417
<u>Food Service Fund</u>					
Expenditures	3,501,149	-	-	(1)	3,501,148

The accompanying notes are an integral part of this schedule.

**RECONCILIATION OF AUDITOR'S ELECTRONIC FINANCIAL DATA INTEGRITY
CHECK FIGURES TO GOVERNMENTAL FUND FINANCIAL STATEMENTS**

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

	Balance Per ADE	<u>Rounding</u>	Combined Accounts on the Combining Balance Sheet	Reserve Fund Balance on Combining Balance Sheet	Capital Reserve Fund is Combined Fund on the Balance Sheet	Categories Shown Separate on Combining Balance Sheet	Not included - Swallows Charter Internal Service Fund	Due To/From Netted When Combining General, Insurance and Preschool Funds	Balance per Governmental Fund Financial Statements
Bolded Balance Sheet Report									
General Fund/Preschool Fund									
Cash and investments	\$ 14,375,030	\$ -	\$ -	\$ -	\$ -	\$ (1,653)	\$ -	\$ -	\$ 14,373,377
Investments, at fair value	-	-	-	-	-	1,653	-	-	1,653
Taxes receivable	1,369,481	-	-	-	-	(563,606)	-	-	805,875
Cash with treasurer	-	-	-	-	-	338,606	-	-	338,606
Property tax receivable	-	-	-	-	-	225,000	-	-	225,000
Due from other funds	2,857,746	1	-	-	-	(550,896)	(1,962,215)	-	344,636
Due from component unit	-	-	-	-	-	543,540	-	-	543,540
Other Assets	(7,356)	-	-	-	-	7,356	-	-	-
Grants accounts receivable	8,549	-	-	-	-	23,140	-	-	31,689
Other receivables	211,634	-	-	-	-	(23,140)	-	-	188,494
Total assets	18,887,951	-	-	-	-	(2,288,970)	-	(1,962,215)	16,925,736
Due to other funds	4,253,495	-	-	-	-	2,288,970	-	(1,962,215)	2,310
Due to component unit	-	-	-	-	-	-	-	-	-
Accrued expenses	5,878,302	1	-	-	-	-	-	-	2,288,970
Unearned Revenue	225,000	-	-	-	-	(225,000)	-	-	5,878,303
Deferred Inflow of resources	-	-	-	-	-	225,000	-	-	225,000
Total liabilities and deferred inflow	11,070,478	-	-	-	-	-	-	(1,962,215)	9,108,263
Nonspendable	-	-	-	72,866	-	-	-	-	72,866
Restricted	1,917,500	-	-	164,563	-	-	-	-	2,082,063
Assigned	-	-	-	693,224	-	-	-	-	693,224
Unassigned	5,899,973	-	-	(930,653)	-	-	-	-	4,969,320
Total liabilities and fund balances	18,887,951	-	-	-	-	-	-	(1,962,215)	16,925,736
Debt Service Funds									
Cash and investments	12,113,970	-	-	-	-	(4,115,844)	-	-	7,998,126
Investments, at fair value	-	-	-	-	-	4,115,844	-	-	4,115,844
Taxes receivable	388,701	(1)	-	-	-	(182,501)	-	-	206,199
Cash with treasurer	-	-	-	-	-	77,501	-	-	77,501
Property tax receivable	-	-	-	-	-	105,000	-	-	105,000
Unearned Revenue	105,000	-	-	-	-	(105,000)	-	-	-
Deferred Inflow of resources	-	-	-	-	-	105,000	-	-	105,000
Unassigned fund balance	12,397,670	-	-	(12,397,670)	-	-	-	-	-
Restricted fund balance	-	-	-	12,397,670	-	-	-	-	12,397,670
Capital Projects Fund									
Cash and investments	783,688	-	-	-	-	(11,954)	-	-	771,734
Investments, at fair value	-	-	-	-	-	11,954	-	-	11,954
Unassigned fund balance	1,124,590	-	-	1,124,590	-	-	-	-	2,249,180
Restricted fund balance	-	-	-	1,129,790	-	-	-	-	1,129,790
Tabor 3% Reserve	5,200	-	-	(5,200)	-	-	-	-	-

The accompanying notes are an integral part of this schedule.

**RECONCILIATION OF AUDITOR'S ELECTRONIC FINANCIAL DATA INTEGRITY
CHECK FIGURES TO GOVERNMENTAL FUND FINANCIAL STATEMENTS**

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

Food Service/Special Revenue Funds	Balance Per ADE	Rounding	Combined Accounts on the Combining Balance Sheet	Reserve Fund Balance on Combining Balance Sheet	Capital Reserve Fund is Combined with the General Fund on the Balance Sheet	Categories Shown Separate on Combining Balance Sheet	Not included - Swallows Charter Internal Service Fund	Due To/From Netted When Combining General, Insurance and Preschool Funds	Balance per Governmental Fund Financial Statements
Bolded Balance Sheet Report									
Food Service/Special Revenue Funds									
Cash	\$ 466,732	1	\$ -	\$ -	\$ (50,760)	-	-	\$ -	\$ 415,973
Other investment accounts	-	-	-	-	50,760	-	-	-	50,760
Other payables	94,906	-	-	-	(88)	-	-	-	94,818
Payroll deductions and withholdings	(88)	-	-	-	88	-	-	-	-
Total Liabilities	1,204,892	(1)	-	-	-	-	-	-	1,204,891
Non-spendable fund balance	-	-	-	72,152	-	-	-	-	72,152
Unassigned fund balance	910,149	1	-	(910,150)	-	-	-	-	-
Assigned fund balance	-	-	-	837,998	-	-	-	-	837,998
Total fund balance	992,949	1	-	-	-	-	-	-	992,950
Charter School / Component Unit									
Cash	1,020,530	-	-	-	6,635	-	(246,233)	-	780,932
Cash with fiscal agent	6,635	-	-	-	(6,635)	-	-	-	-
Interfund receivable	2,336,053	-	-	-	(41,907)	-	-	-	2,294,146
Due from other funds	-	-	-	-	22,275	-	-	-	22,275
Other receivables	11,203	-	-	-	(11,203)	-	-	-	-
Sites, machinery and equipment	3,398,462	-	-	-	-	-	-	-	-
Total assets	6,823,067	-	-	-	(30,835)	-	(3,398,462)	-	3,147,537
Interfund payables	597,978	-	-	-	(32,163)	-	(3,644,695)	-	543,540
Bonds payables	3,609,984	(2)	-	-	1,328	-	(3,609,982)	-	-
Accrued expenses & payroll deductions	350,063	-	-	-	(30,835)	-	-	-	351,391
Total Liabilities	4,714,274	(2)	-	-	50,184	-	(3,632,257)	-	1,051,180
Non-spendable fund balance	-	-	-	-	116,000	-	-	-	50,184
Reserved for TABOR	48,800	-	-	-	(1,933,177)	-	-	-	164,800
Unassigned fund balance	1,945,615	-	-	-	1,766,993	-	(12,438)	-	1,881,373
Assigned fund balance	114,378	2	-	-	-	-	-	-	-
Total fund balance	2,108,793	2	-	-	-	-	(12,438)	-	2,096,357

The accompanying notes are an integral part of this schedule.

RECONCILIATION OF AUTOMATED DATA EXCHANGE (ADE)
ERROR REPORT TO THE DISTRICT GRANT RECEIPT FIGURES
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2016

	<u>Balance Per CDE</u>	<u>Balance Per District</u>	<u>Variance</u>	<u>Explanation</u>
Warnings				
Fund 11 Beginning Fund Balance	2,053,728.75	2,053,730.59	(1.84)	Rounding
Fund 22 Beginning Fund Balance	428,335.99	428,337.32	(1.33)	Rounding
<u>Capital Construction Charter School</u>				
Grant Code: 3113				
Receipts	<u>215,389.42</u>	<u>208,033.91</u>	<u>7,355.51</u>	Portion of funding that was allocated to Swallows Charter School
<u>Smart Start Breakfast</u>				
Grant Code: 3164				
Receipts	<u>12,450.00</u>	<u>16,132.50</u>	<u>(3,682.50)</u>	Receivable at 6/30/16 \$3,843.60 less June's claim \$161.10
<u>School Lunch Protection Program</u>				
Grant Code: 3169				
Receipts	<u>12,916.00</u>	<u>16,862.40</u>	<u>(3,946.40)</u>	Receivable at 6/30/2016 \$4,109.60 less June's claim \$163.20
<u>Best Capital Construction</u>				
Grant Code: 3189				
Receipts	<u>161,987.60</u>	<u>673,295.92</u>	<u>(511,308.32)</u>	Receivable at 6/30/2015
<u>IDEA: Part B: Special Education</u>				
Grant Code: 4027				
Receipts	<u>1,317,475.00</u>	<u>1,318,580.00</u>	<u>(1,105.00)</u>	Portion of funding allocated to private school
<u>School Breakfast Program</u>				
Grant Code 4553				
Receipts	<u>489,803.47</u>	<u>626,348.63</u>	<u>(136,545.16)</u>	Receivable at 6/30/2016 \$142,667.02 less June's claim \$6,121.86
<u>School Lunch Program</u>				
Grant Code 4555				
Receipts	<u>1,038,731.11</u>	<u>1,324,619.51</u>	<u>(285,888.40)</u>	Receivable at 6/30/2016 \$296,566.07 less June's claim \$10,77.67

The accompanying notes are an integral part of this schedule.



Colorado Department of Education
Auditors Integrity Report
 District 2700 - PUEBLO COUNTY 70
 Fiscal Year 2015-16
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
10 General Fund	1,311,008	61,448,386	57,149,839	5,609,555
18 Risk Mgmt Sub-Fund of General Fund	2,067,288	1,199,965	1,252,999	2,014,254
19 Colorado Preschool Program Fund	57,574	940,451	804,362	193,663
Sub- Total	3,435,870	63,588,803	59,207,200	7,817,472
11 Charter School Fund	2,053,729	5,570,223	5,515,159	2,108,793
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec. Revenue Fund	438,729	3,535,502	3,501,149	473,083
22 Govt Designated-Purpose Grants Fund	428,336	4,051,112	4,083,764	395,685
23 Pupil Activity Special Revenue Fund	15,142	1,408,471	1,299,431	124,182
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	11,461,753	8,597,418	7,661,500	12,397,670
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	2,903,169	259,022	2,032,401	1,129,790
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
Totals	20,736,277	87,010,550	83,300,603	24,446,675
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	1,044,156	1,758,856	1,644,737	1,158,275
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	1,044,156	1,758,856	1,644,737	1,158,275
FINAL				

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