

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, 2018

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Independent Auditor's Report

February 19, 2019

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, 2018, 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 did not audit the financial statements of the Swallows Charter Academy, a component unit of the District, which represents 37%, 36% and 70% respectively of the assets, fund balances, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report 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. 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.

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, 2018, 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.

Emphasis of Matter

As described in Note I to the financial statements, effective July 1, 2017, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and pension 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as 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 19, 2019, 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 solely 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 the effectiveness of the District's 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, 2018

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, 2018. 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 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 \$292.7 million as of June 30, 2018. 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 \$167.3 million.
- The net position of the District includes \$36.61 million invested in capital assets, net of related debt; \$13.18 million restricted for debt service payments; \$2.20 million restricted for emergencies, as defined under the Taxpayer Bill of Rights; \$0.007 million in a restricted Pre-School Reserve; \$0.01 million restricted for Grants; and an unrestricted net position balance of negative (\$219.27) 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 \$64,329,717 for the year ended June 30, 2018, primarily due to the accounting treatment of the Net Pension Liability.
- Fund balance of the District's governmental funds increased by \$13,466,479 resulting in an ending fund balance of \$36,132,781. 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 \$12,568,658, from \$9,031,703 to \$21,600,361. This was primarily due to the receipt of Proceeds from a Capital Lease.
- The District's long-term obligations increased by \$15,305,377 to \$110,559,326. Current year principal payments on existing General Obligation debt totaled \$5,255,000.

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. Implementation of GASB 68, however, has a significant impact on the Net Position and should be taken into consideration in evaluating the District's financial health.
- 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.

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 gauge 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 7.25%). 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 was 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 33-39 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, 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 24-53 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 2019. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after Fiscal 2019.

The liabilities of the District activities exceed assets by \$167,266,436 and the Unrestricted Net Position is negative (\$219,273,173). 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 (\$292,709,997). Measures continue to be successfully implemented by the District to eliminate the negative unrestricted balance (net of the Pension Liability) which existed at June 30, 2014 and to maintain a positive unrestricted balance, net of the Pension Liability.

The District has a net investment of \$36,607,750 in land, improvements, building, equipment, and vehicles which provide the services to the District's 9,861 public school students. Net position of \$13,180,014, 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 \$2,201,200.

The following table provides a condensed summary of the District's net position for 2018 compared to 2017:

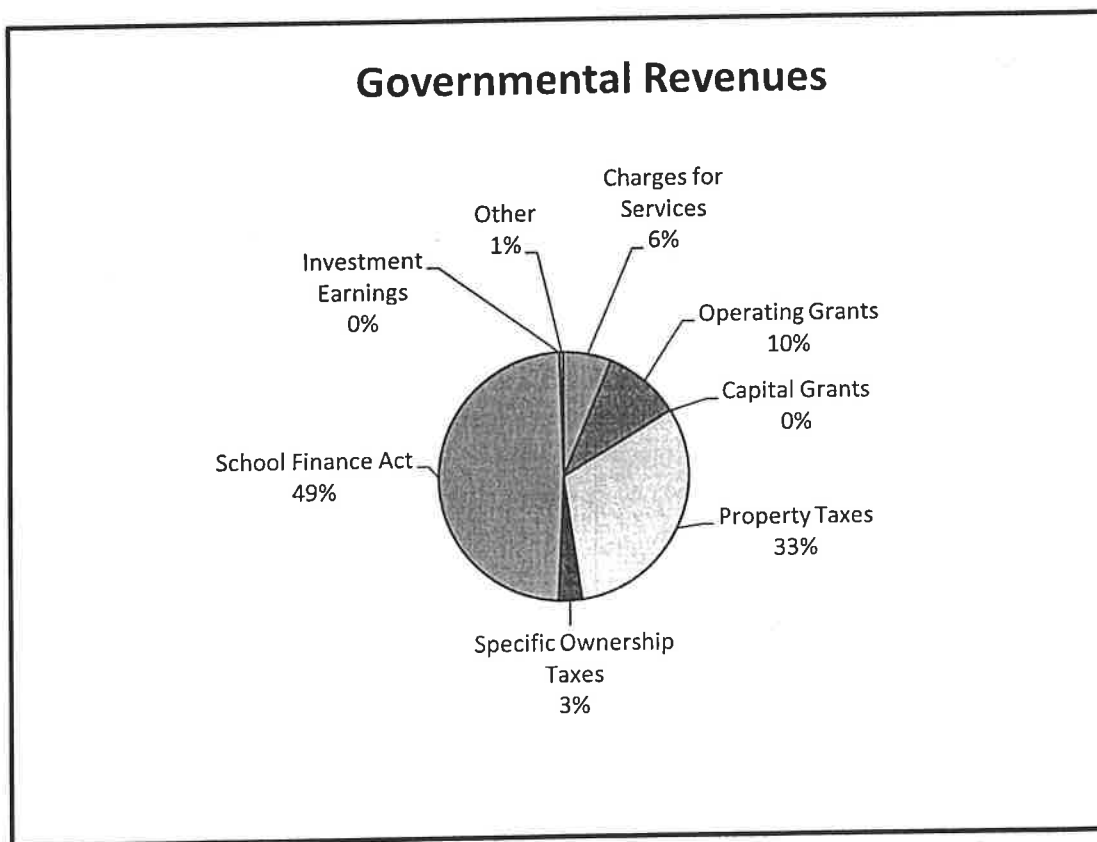
	Governmental Activities	
	2018	2017
Assets		
Current and Other Assets	47,544,225	36,389,991
Capital Assets	<u>133,536,799</u>	<u>133,646,518</u>
Total Assets	181,081,024	166,500,260
Liabilities		
Current Liabilities	18,336,339	16,800,291
Non-Current Liabilities	<u>407,335,731</u>	<u>349,365,979</u>
Total Liabilities	425,672,070	366,166,270
Deferred Inflow/Outflow of Resources		
Deferred Outflow	89,850,411	97,680,745
Deferred Inflow	12,525,801	951,454
Net Position		
Invested in Capital Assets, Net of Related Debt	36,607,750	34,032,130
Restricted	15,398,987	14,730,950
Unrestricted	<u>(219,273,173)</u>	<u>(151,699,799)</u>
Total Net Position	(167,266,436)	(102,936,719)
See PERA Discussion on page 6 for explanation of "Unrestricted" Change		

Table 2 shows the changes in net position for fiscal year 2018 compared to 2017:

	Governmental Activities	
	2018	2017
Revenues		
Program Revenues:		
Charges for Services	5,468,398	4,848,889
Operating Grants & Contributions	8,962,782	8,834,913
Capital Grants and Contributions	39,815	206,239
General Revenues:		
Taxes:		
Local Property Taxes	27,888,307	27,013,609
Specific Ownership Taxes	2,755,661	2,415,784
School Finance Act	43,234,899	39,730,132
Earnings on Investments	82,125	32,216
Other	<u>407,543</u>	<u>215,755</u>
Total Revenues	88,839,530	83,297,537
Expenses		
Governmental Activities:		
Direct Instruction	87,758,953	68,768,491
Indirect Instruction	26,404,980	23,532,290
Transportation	2,843,231	3,018,588
Custodial and Maintenance	8,704,736	6,500,330
Other Support Services	16,634,327	14,786,213
General Administration	1,219,502	1,019,135
Interest Expense-Unallocated	<u>3,481,491</u>	<u>3,587,433</u>
Total Expenses	147,047,220	121,212,480
Change in Net Position	(58,207,690)	(37,914,943)
Net Position - July 1	(109,058,746)	(65,021,776)
Net Position - June 30	<u>(167,266,436)</u>	<u>(102,936,719)</u>

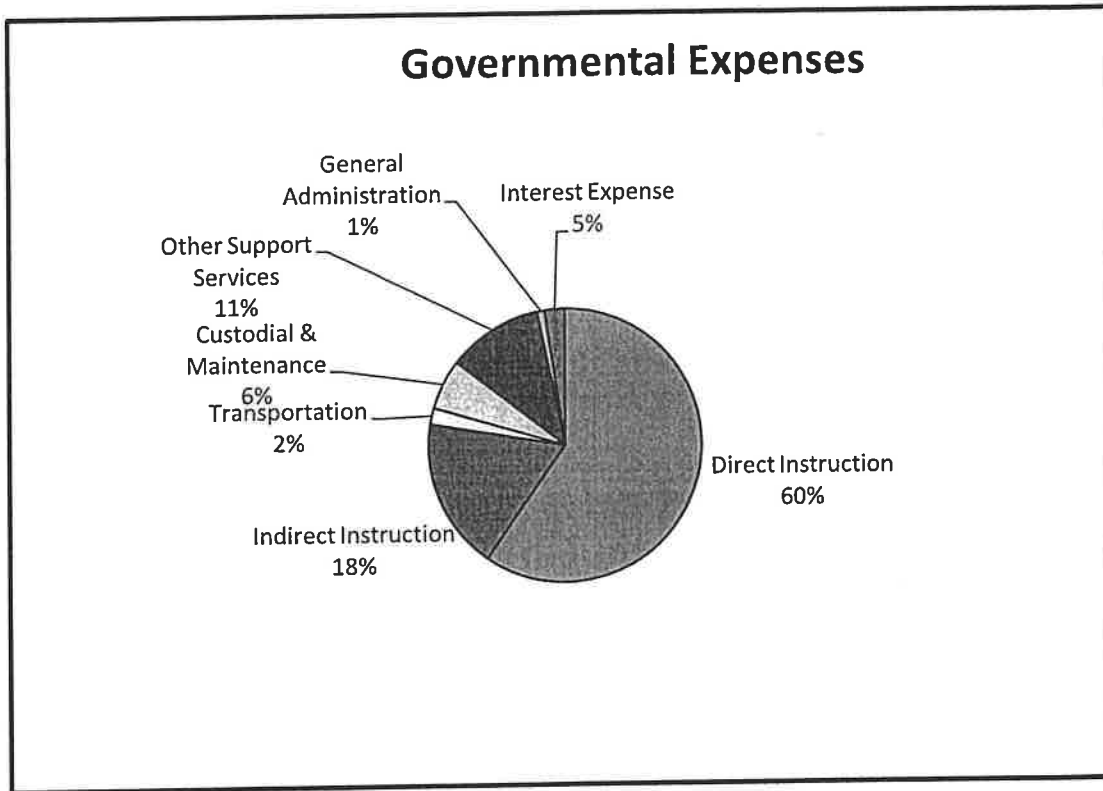
State equalization and taxes (Property Taxes and Specific Ownership Taxes) accounted for most of the District's total revenue. As shown in the graph below, State Equalization (School Finance Act) contributed 49% of total revenues, while Property Taxes and Specific Ownership Taxes contributed 36% of every dollar raised. Another 10% 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 and property taxes changed slightly from the prior year. These amounts are determined annually by the state in accordance with the School Finance Act. Because of rounding the total exceeds 100%.

Table 3



As shown in Table 4 below, a total of 78% of the District's expenses are related to instructing and caring for (pupil services) students. This is an increase from 76% in the prior year. Transportation accounts for 2% 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 \$7,711 per funded student in FY 2017-18. This is up \$433 from \$7,278 per funded student in FY 2016-17. In Fiscal Year 2017-18 the funded pupil count was 9,430.8. For the 2017-18 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 66% of SFA funding from state equalization while the remaining amounts come from property taxes and specific ownership taxes. The District's assessed valuation generated \$27,703,307 in total property taxes (for both operations and bond redemption payments) in fiscal year 2017-18. Due to a small increase in the District's assessed valuation for collection in fiscal year 2018-19, this is expected to again increase in the 2018-19 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 2018-19, 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 2017-18, all government funds had total revenues, including other financing sources, of \$106,161,381 and expenditures of \$92,694,902. The Debt Service Fund experienced an increase in fund balance, increasing by \$539,859. The Capital Projects Fund had a decrease in fund balance of \$197,483, depleting this fund, which completes 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 \$12,568,658.

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 2017, the District had invested \$205,614,948 in land, buildings, Construction in Progress, equipment and transportation vehicles. As shown in Table 5, this is a 1.94% increase in Fiscal 2018 compared to 2017. The District has substantially completed plant and equipment improvements resulting from the successful 2012 bond election.

Table 5
Capital Assets at June 30, 2018 and 2017

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

	Governmental		Total Percentage
	Activities		Change
	<u>2018</u>	<u>2017</u>	<u>2017-2018</u>
Land	564,859	564,859	0%
Construction in Progress	2,011,015	274,235	633.3%
Bldg & Improvements	186,324,157	186,211,425	0.06%
Furniture & Fixtures	14,360,700	12,713,040	12.96%
Automotive Equip	<u>2,354,217</u>	<u>1,936,577</u>	<u>21.56%</u>
Total Capital Assets	205,614,948	201,700,136	1.94%

Long-term Debt.

At June 30, 2018, the District had total bonded debt outstanding of \$75,690,000 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 \$28,982,630 outstanding at the end of the current fiscal year. This is an increase from \$13,644,347 at the end of the prior year. This increase is due to an Energy lease, designed to produce energy efficiencies, which was undertaken by the District in FY 2017-18.

The total District General Obligation Bonds outstanding decreased by \$5,255,000 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 2017-18 the District had \$58.6 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 J and K on pages 47-50 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 of inflation plus one percent for the next ten years beginning with fiscal year 2001-2002 and thereafter at inflation.

- For calendar year 2017, the inflation rate was 3.1 percent. Accordingly, in accordance with Amendment 23, the District should receive additional funding of 3.1% for the 2018-19 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 2018-19 school year is expected to be 1.52%. Adjustments continue to be made to the funding formula. 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, 2018

	Primary Government	Component Units
	Governmental Activities	Charter Schools
Assets		
Cash and equivalents	\$ 17,937,688	\$ 1,211,365
Cash with County Treasurer	327,669	-
Restricted cash and equivalents	12,402,073	225,747
Investments	13,363,389	-
Receivables		
Taxes	1,584,830	-
Other	125,809	7,576
Due from primary government	-	2,098,934
Due from component units	147,344	-
Accrued federal revenue	1,262,209	-
Prepaid expenses	395,652	30,441
Deposits	-	1,000
Inventories	144,906	-
Capital assets, net of depreciation	133,536,799	4,498,829
Total Assets	181,228,368	8,073,892
Deferred Outflow of Resources		
Bond discount	68,028	-
Related to OPEB	527,677	24,986
Related to pensions	89,254,706	6,416,024
Total Deferred Outflows of Resources	89,850,411	6,441,010
Liabilities		
Accounts and interest payable	1,097,664	127,460
Accrued salaries	7,487,555	339,441
Due to component unit	2,097,516	-
Unearned revenue	521,818	147,344
Long-Term Liabilities		
Due within one year	7,279,130	45,000
Due in more than one year	107,938,687	3,534,881
Net OPEB liability	6,687,047	467,608
Net pension liability	292,709,997	20,468,371
Total Liabilities	425,819,414	25,130,105
Deferred Inflow of Resources		
Deferred amount on refunding	72,633	-
Related to OPEB	112,100	7,704
Related to pensions	12,341,068	1,258,409
Total Deferred Inflows of Resources	12,525,801	1,266,113
Net Position		
Investment in capital assets, net of related debt	36,607,750	983,829
Restricted	15,398,987	412,047
Unrestricted	(219,273,173)	(13,277,192)
Total Net Position	\$ (167,266,436)	\$ (11,881,316)

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, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			
	Program Revenue		Primary Government	Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Charter Schools
Governmental Activities				
Direct instruction	\$ 87,758,953	\$ 7,699,499	\$ 39,815	\$ -
Indirect instruction	26,404,980	1,007,034	-	-
Transportation	2,843,231	-	-	-
Custodial and maintenance	8,704,736	-	-	-
Other support services	16,634,327	188,023	-	-
General administration	1,219,502	68,226	-	-
Interest expense, unallocated	3,481,491	-	-	-
Total Governmental Activities	147,047,220	8,962,782	39,815	(132,576,225)
Component Unit - Charter Schools	\$ 11,377,414	\$ 450	\$ 150,688	\$ (11,135,437)
General Revenues				
Local property taxes			\$ 27,888,307	\$ -
Specific ownership taxes			2,755,661	-
School finance act			43,234,899	6,027,177
Earnings on investments			82,125	2,235
Gain (loss) on sale of capital assets			313,151	-
Other			94,392	23,714
Total General Revenues			74,368,535	6,053,126
Changes in Net Position			(58,207,690)	(5,082,311)
Net Position - July 1 - Restated			(109,058,746)	(6,799,005)
Net Position - June 30			\$ (167,266,436)	\$ (11,881,316)

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, 2018

<u>Assets</u>	<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>
Cash and cash equivalents	\$ 16,477,519	\$ -	\$ -	\$ 1,460,169	\$ 17,937,688
Cash with County Treasurer	297,112	30,557	-	-	327,669
Restricted cash	12,402,073	-	-	-	12,402,073
Investments, at fair value	321,388	12,968,507	-	73,494	13,363,389
Accounts and other receivables	101,902	-	-	-	101,902
Other taxes receivable	-	-	-	-	-
Due from other funds	741,002	-	-	358	741,360
Due from component unit	-	-	-	-	-
Property taxes receivable	1,278,880	305,950	-	-	1,584,830
Accrued federal revenue	32,035	-	-	1,230,174	1,262,209
Inventories	77,820	-	-	67,086	144,906
Total Assets	<u>31,729,731</u>	<u>13,305,014</u>	<u>-</u>	<u>2,831,281</u>	<u>47,866,026</u>
 <u>Liabilities</u>					
Accounts payable	370,583	-	-	105,577	476,160
Accrued salaries and benefits	6,772,189	-	-	715,366	7,487,555
Due to other funds	2,076	-	-	593,120	595,196
Due to component unit	2,097,516	-	-	-	2,097,516
Unearned revenue	457,006	-	-	64,812	521,818
Total Liabilities	<u>9,699,370</u>	<u>-</u>	<u>-</u>	<u>1,478,875</u>	<u>11,178,245</u>
 <u>Deferred Inflow of Resources -</u>					
Property taxes	430,000	125,000	-	-	555,000
 <u>Fund Balance</u>					
Nonspendable	77,820	-	-	67,086	144,906
Restricted	14,517,735	13,180,014	-	103,311	27,801,060
Assigned	812,608	-	-	1,182,009	1,994,617
Unassigned	6,192,198	-	-	-	6,192,198
Total Fund Balances	<u>\$ 21,600,361</u>	<u>\$ 13,180,014</u>	<u>\$ -</u>	<u>\$ 1,352,406</u>	<u>\$ 36,132,781</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, 2018

Total Fund Balances - Governmental Fund	\$ 36,132,781
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.	555,000
Revenue receivable that does not provide current financial resources is not recorded in the governmental fund statements.	21,239
Expenditures for services which benefit future periods are treated as prepaid expenses and included in current assets in the government-wide financial statements.	395,652
Capital assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds.	133,536,799
Deferred outflows from refunding debt are not considered current financial resources and not reported in the governmental funds.	68,028
Deferred amount on refunding is not due and payable in the current period and not included in the fund financial statements.	(4,731,125)
Long-term liabilities for general obligation debt (\$75,690,000), quality zone academy bond debt (\$931,341), certificates of participation (\$7,075,000) Build America bonds (\$3,991,828), capital leases (\$16,984,461), CDE audit adjustment (\$41,961) and compensated absences (\$5,844,734) are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(110,559,325)
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.	(617,656)
Deferred activity related to pension (\$89,254,706) and OPEB (\$527,677) assumptions are not recorded and included in the governmental funds.	89,782,383
Pension (\$12,341,068) and OPEB (\$112,100) contributions subsequent to plan measurement date are not included in the long term liability and are deferred.	(12,453,168)
Net pension (\$292,709,997) and OPEB (\$6,687,047) liabilities for the District are a long term liability not due and payable in the current period and therefore not reported in governmental funds.	<u>(299,397,044)</u>
Total Net Position - Governmental Activities	\$ <u>(167,266,436)</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, 2018

	<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>
Revenues					
Local property tax	\$ 18,724,431	\$ 8,978,876	\$ -	\$ -	\$ 27,703,307
Specific ownership tax	2,755,661	-	-	-	2,755,661
State sources	53,021,632	-	-	107,297	53,128,929
Federal sources	1,549,013	-	-	5,960,791	7,509,804
Other sources	1,429,822	74,979	3,512	2,078,847	3,587,160
Fund allocations	<u>(6,025,760)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,025,760)</u>
Total Revenues	<u>71,454,799</u>	<u>9,053,855</u>	<u>3,512</u>	<u>8,146,935</u>	<u>88,659,101</u>
Expenditures					
Direct instruction	38,826,566	-	-	3,768,538	42,595,104
Indirect instruction	15,245,709	-	-	1,007,605	16,253,314
Transportation	2,676,663	-	-	153,231	2,829,894
Custodial and maintenance	5,067,606	-	-	12,544	5,080,150
Other support services	3,667,514	-	-	3,839,685	7,507,199
General administration	587,249	-	-	68,054	655,303
Capital outlay	6,338,586	-	-	190,155	6,528,741
Debt service:					
Principal retirement	2,163,996	5,255,000	-	-	7,418,996
Interest and fiscal charges	567,205	3,258,996	-	-	3,826,201
Total Expenditures	<u>75,141,094</u>	<u>8,513,996</u>	<u>-</u>	<u>9,039,812</u>	<u>92,694,902</u>
Excess of Revenues Over (Under)					
Expenditures	<u>(3,686,295)</u>	<u>539,859</u>	<u>3,512</u>	<u>(892,877)</u>	<u>(4,035,801)</u>
Other Financing Sources (Uses)					
Transfers to other funds	(1,247,327)	-	-	-	(1,247,327)
Transfers from other funds	-	-	193,971	1,053,356	1,247,327
Proceeds from capital lease	17,502,280	-	-	-	17,502,280
Total Other Financing Sources (Uses)	<u>16,254,953</u>	<u>-</u>	<u>193,971</u>	<u>1,053,356</u>	<u>17,502,280</u>
Net Change in Fund Balances	12,568,658	539,859	197,483	160,479	13,466,479
Fund Balances - July 1	<u>9,031,703</u>	<u>12,640,155</u>	<u>(197,483)</u>	<u>1,191,927</u>	<u>22,666,302</u>
Fund Balances - June 30	<u>\$ 21,600,361</u>	<u>\$ 13,180,014</u>	<u>\$ -</u>	<u>\$ 1,352,406</u>	<u>\$ 36,132,781</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, 2018

Total Change in Fund Balances - Governmental Funds	\$	13,466,479
Change in receivables - revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		(4,571)
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.		74,793
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.		185,000
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 (\$6,638,460) exceeds capital outlay (\$6,528,741) in the period.		(109,719)
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.		7,418,996
Some capital assets acquired this year were financed with capital leases. These amounts are reported in the governmental funds as a source of financing. On the other hand, these financing sources are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets.		(17,502,280)
Premiums on general obligation debt are amortized on the government-wide statements, but are recognized in full in the governmental funds.		366,550
Net pension (\$56,709,562) and OPEB (\$149,443) related items are reported in the statement of activities and do not require the use of current financial resources, and therefore, are not reported in the governmental funds.		(56,859,005)
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.		(5,222,093)
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.		(46,454)
Total Change in Net Position - Governmental Activities	\$	<u>(58,207,690)</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, 2018

	Component Unit Swallows Charter School Internal Service <u>Fund</u>
<u>Assets</u>	
Current Assets	
Restricted cash and investments	\$ 225,747
Non-current Assets	
Equipment, net of depreciation	<u>3,232,196</u>
Total Assets	<u>3,457,943</u>
<u>Liabilities</u>	
Current Liabilities	
Interest payable	37,078
Bonds payable - current portion	<u>45,000</u>
Total Current Liabilities	82,078
Long-term Liabilities	
Bonds payable - long-term portion	<u>3,470,000</u>
Total Liabilities	<u>3,552,078</u>
<u>Net Position</u>	
Invested in capital assets, net of related debt	(57,057)
Unrestricted	<u>(37,078)</u>
Total Net Position	<u>\$ (94,135)</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, 2018

	Component Unit Swallows Charter School Internal Service <u>Fund</u>
Operating Revenues	
Rental income	\$ 263,461
Operating Expenses	
Purchased services	<u>60,782</u>
Operating Income (Loss)	202,679
Nonoperating Expenses	
Interest income	1,487
Interest expense	(208,377)
Depreciation expense	(165,087)
Bond Amortization Discount	<u>(27,600)</u>
Income (Loss) Before Transfers	(196,898)
Transfer from General Fund	<u>64,310</u>
Change in Net Position	(132,588)
Net Position - July 1	<u>38,453</u>
Net Position - June 30	<u>\$ (94,135)</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, 2018

	Component Unit Swallows Charter School Internal Service Fund
Cash Flows From Operating Activities:	
Cash received from operations	\$ 263,461
Cash paid to suppliers	<u>(64,521)</u>
Net Cash Provided (Used) by Operating Activities	<u>198,940</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of property and equipment	-
Bond principal payments	(55,000)
Bond interest payments	<u>(197,656)</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>(252,656)</u>
Cash Flows From Non-Capital and Related Financing Activities:	
Transfer from General Fund	<u>64,310</u>
Cash Flows From Investing Activities	
Interest received	<u>1,487</u>
Net Increase (Decrease) in Cash	12,081
Cash - July 1	<u>213,666</u>
Cash - June 30	<u>\$ 225,747</u>
Reconciliation of Operating Income (Loss) to Net	
Cash Used by Operating Activities	
Operating income (loss)	\$ 202,679
Adjustments to reconcile operating loss to net cash used	
by operating activities:	
Changes in Assets and liabilities:	
Accounts payable	-
Due to other funds	<u>(3,739)</u>
Net Cash Provided by Operating Activities	<u>\$ 198,940</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, 2018

<u>Assets</u>	<u>Student Activity Agency</u>
Cash in bank and on hand	\$ 1,202,791
Accounts receivable	-
Due from other funds	<u>3,848</u>
Total Assets	\$ <u>1,206,639</u>
 <u>Liabilities and Fund Equity</u>	
Accounts payable	\$ 51,362
Due to other funds	2,668
Due to student groups	<u>1,152,609</u>
Total Liabilities and Fund Equity	\$ <u>1,206,639</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, 2018

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. 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, 2018

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, 2018

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.

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, 2018

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, 2018. Inventories were adjusted to reflect the amounts determined by physical count.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2018

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 three items that qualify for reporting under this category, bond discount, OPEB related items 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 four items that qualify for reporting under this category. Property taxes, deferred amount on refunding, OPEB related items 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, 2018.

Encumbrances represent outstanding purchase orders for goods or services not yet delivered or provided as of June 30, 2018. 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, 2018.

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, 2018, upon which the levy for the 2018 fiscal year was based, was \$693,119,953.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

The tax rates assessed for the year ended June 30, 2018 to finance general fund operations and the payment of principal and interest on general long-term debt were \$27.279 and \$12.963 per \$1,000 valuation, respectively, for a total of \$40.242 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 annual leave benefits which are vesting, accumulating rights and are carried forward to subsequent years. Payment of unused annual leave, a 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 annual leave 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 and annual leave 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, 2018

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, 2018, the District had deposits over \$250,000 in the amount of \$31,385,356. 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	\$ 32,653,186	\$ 32,653,186	\$ -
Cash held by County Treasurer	327,669	327,669	-
<u>Investments</u>			
State investment pool (ColoTrust)	699,653	699,653	-
Certificates of deposit	21,707	21,707	-
Money market mutual fund	9,652,373	9,652,373	-
U.S. Government Securities	3,316,134	1,491,701	1,824,433
Total Deposits	<u>\$ 46,670,722</u>	<u>\$ 44,846,289</u>	<u>\$ 1,824,433</u>
Governmental Activities	\$ 44,030,819		
Component Unit	1,437,112		
Fiduciary Fund	1,202,791		
	<u>\$ 46,670,722</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, 2018

NOTE D - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District and component unit has invested \$699,653 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, 2018, 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, 2018:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
<u>Governmental Activities</u>				
Non-Depreciable Assets:				
Land	\$ 564,859	\$ -	\$ -	\$ 564,859
Construction in progress	334,235	1,951,015	274,235	2,011,015
Total Non-Depreciable Assets	<u>899,094</u>	<u>1,951,015</u>	<u>274,235</u>	<u>2,575,874</u>
Depreciable Assets:				
Bldg. and improvements	186,211,425	112,732	-	186,324,157
Furniture and fixtures	12,713,040	4,132,650	2,484,990	14,360,700
Automotive equipment	1,936,577	606,579	188,939	2,354,217
Total Depreciable Assets	<u>200,861,042</u>	<u>4,851,961</u>	<u>2,673,929</u>	<u>203,039,074</u>
Less Accumulated Depreciation for:				
Bldg. and improvements	55,521,410	5,419,554	-	60,940,964
Furniture and fixtures	11,318,831	1,097,970	2,484,990	9,931,811
Automotive equipment	1,273,377	120,936	188,939	1,205,374
Total Accumulated Depreciation	<u>68,113,618</u>	<u>6,638,460</u>	<u>2,673,929</u>	<u>72,078,149</u>
Total Capital Assets, Net	<u>\$ 133,646,518</u>	<u>\$ 164,516</u>	<u>\$ 274,235</u>	<u>\$ 133,536,799</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2018

NOTE E - CHANGES IN CAPITAL ASSETS (Continued)

<u>Component Unit</u> <u>Charter Schools</u>	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Non-Depreciable Assets:				
Land	\$ 150,912	\$ -	\$ -	\$ 150,912
Construction in progress	-	55,050	-	55,050
Total Non-Depreciable Assets	<u>150,912</u>	<u>-</u>	<u>-</u>	<u>205,962</u>
Depreciable Assets:				
Bldg. and improvements	5,008,410	22,960	-	5,031,370
Furniture and fixtures	153,102	7,900	-	161,002
Equipment	55,998	-	-	55,998
Vehicles	77,326	-	-	77,326
Total Depreciable Assets	<u>5,294,836</u>	<u>30,860</u>	<u>-</u>	<u>5,325,696</u>
Less Accumulated Depreciation for:				
Bldg. and improvements	649,128	222,377	-	871,505
Furniture and fixtures	59,993	24,005	-	83,998
Vehicles	77,326	-	-	77,326
Total Accumulated Depreciation	<u>786,447</u>	<u>246,382</u>	<u>-</u>	<u>1,032,829</u>
Total Capital Assets, Net	<u>\$ 4,659,301</u>	<u>\$ (215,522)</u>	<u>\$ -</u>	<u>\$ 4,498,829</u>

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

Governmental activities:	
Direct instruction	\$ 1,215,496
Transportation	13,337
Custodial and maintenance	138,831
Other support services	5,270,796
Total Depreciation Expense - Governmental Activities	<u>\$ 6,638,460</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, 2018, but not yet paid by the School District. Accrued P.E.R.A. represents the School District's 20.15% contribution on the accrued salaries. At June 30, 2018 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, 2018 were as follows:

General Fund	\$ 6,772,189
Governmental Designated-Purpose Grants Fund	417,385
Food Service Enterprise Fund	190,203
Pupil Athletic Fund	107,778
Component Unit - Charter Schools	339,441
Total Accrued Salaries and P.E.R.A.	<u>\$ 7,826,996</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2018

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 pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section title *Changes between the measurement date of the net pension liability and June 30, 2018*.

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 benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided as of December 31, 2017

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 annuitized 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 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2018

NOTE G - DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided as of December 31, 2017 (Continued)

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living-adjustments, referred to as annual increases in the C.R.S. 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 lesser 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 lesser 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.

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 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 Provisions as of June 30, 2018

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 December 31, 2017</u>	<u>For the Year Ended December 31, 2018</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	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.50%
Total Employer Contribution Rate to the SCHDTF	18.63%	19.13%

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 pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the primary government were \$7,940,512 and \$557,376 from the component unit for the year ended June 30, 2018.

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

At June 30, 2018 Pueblo County School District No. 70 reported a liability of \$292,709,997 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportionate share of the net pension liability was based on the District's contributions to the SCHDTF for calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2018

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)

At December 31, 2017, the District's proportion was .905308%, which was an increase of .045897% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$56,709,564. At June 30, 2018, the District reported deferred outflows of the resources and deferred inflows of resources related to pensions from the following sources:

<u>Primary Government</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 3,592,408	\$ -
Changes of assumptions or other inputs	59,173,770	951,548
Net difference between projected and actual earnings on pension plan investments	14,793,485	11,389,520
Changes in proportion and differences between contributions recognized and proportionate share of contributions	7,653,450	-
Contributions subsequent to the measurement date	4,041,593	-
Total	<u>\$ 89,254,706</u>	<u>\$ 12,341,068</u>
<u>Component Unit</u>		
Difference between expected and actual experience	\$ 323,699	\$ -
Changes of assumptions or other inputs	5,427,730	47,810
Net difference between projected and actual earnings on pension plan investments	-	1,210,599
Changes in proportion and differences between contributions recognized and proportionate share of contributions	377,903	-
Contributions subsequent to the measurement date	286,692	-
Total	<u>\$ 6,416,024</u>	<u>\$ 1,258,409</u>

\$4,041,593 for the primary government and \$286,692 for the component unit reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	<u>Primary Government</u>	<u>Component Unit</u>
2019	\$ 28,239,116	\$ 2,774,888
2020	28,239,116	1,910,199
2021	15,032,339	387,308
2022	1,361,474	(201,472)
	<u>\$ 72,872,045</u>	<u>\$ 4,870,923</u>

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2018

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)

Actuarial cost method	Entry age
Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.50% - 9.70%
Long-term investment rate of return, net pension plan investment expense including price inflation	7.25%
Discount rate	5.26%
Post-retirement benefit increases:	
PERA benefit structure 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

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2018

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

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

Discount Rate

The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2018

NOTE G -DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate (Continued)

- 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 assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current 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 4.78 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.78%) or 1 percentage point higher (5.78%) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
<u>Primary Government</u>			
Proportionate share of the net pension liability	\$ 369,742,487	\$ 292,709,997	\$ 229,937,167
<u>Component Unit</u>			
Proportionate share of the net pension liability	\$ 25,855,022	\$ 20,468,371	\$ 16,078,846

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2018

NOTE G -DEFINED BENEFIT PENSION PLAN (Continued)

Changes Between the Measurement Date of the Net Pension Liability and June 30, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018 the District reported a liability of \$292,709,997 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (Pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (Pro forma)
7.25%	\$132,246,377

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$136,637,027 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2018

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 which includes additional information on the Voluntary Investment Program. 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 under 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, 2018, program members contributed \$366,231 for the Voluntary Investment Program.

NOTE I - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB

Pueblo County School District #70 participates in the Health Care Trust Fund (HCTF), a cost sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan Description

Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2018

NOTE I - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Benefits Provided (Continued)

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

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

PERA Benefit Structure

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

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

Contributions

Pursuant to Title 24, Article 51, Section 2008(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$440,371 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$6,687,047 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017 the District's proportion was .514391 percent, which was an increase of .025891 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$149,443. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2018

NOTE I - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

<u>Primary Government</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 280,568	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	112,100
Changes in proportion and differences between contributions recognized and proportionate share of contributions	31,614	-
Contributions subsequent to the measurement date	215,495	-
Total	<u>\$ 527,677</u>	<u>\$ 112,100</u>
<u>Component Unit</u>		
Difference between expected and actual experience	\$ 5,169	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	7,704
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,531	-
Contributions subsequent to the measurement date	15,286	-
Total	<u>\$ 24,986</u>	<u>\$ 7,704</u>

\$215,495 for the primary government and \$15,286 for the component unit reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	<u>Primary Government</u>	<u>Component Unit</u>
2019	\$ 33,307	\$ (21)
2020	33,307	(21)
2021	33,307	(21)
2022	33,307	(21)
2023	61,332	1,905
thereafter	5,522	175
	<u>\$ 200,082</u>	<u>\$ 1,996</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2018

NOTE I - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Actuarial Assumptions

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net OPEB plan investment expense including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure::	
Service-based premium subsidy	0.00%
PERACare Medicare plan	5.00%
Medicare Part A premiums	3.00% for 2017, gradually rising to 4.25% in 2023

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2018

NOTE I - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Actuarial Assumptions (Continued)

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

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

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

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

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

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2018

NOTE I - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Actuarial Assumptions (Continued)

- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experiences.

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

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

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

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

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

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

Sensitivity of the Pueblo County School District #70 Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2018

NOTE I - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Sensitivity of the Pueblo County School District #70 Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates (Continued)

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability - Primary Government	\$6,503,061	\$6,687,047	\$6,908,647
Net OPEB Liability - Charter Schools	\$454,743	\$467,608	\$483,104

Discount Rate

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

Sensitivity of the Pueblo County School District #70 Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2018

NOTE I - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Sensitivity of the Pueblo County School District #70 Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate (Continued)

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<u>Primary Government</u>			
Proportionate share of the net OPEB liability	\$ 7,518,343	\$ 6,687,047	\$ 5,977,513
<u>Component Unit</u>			
Proportionate share of the net OPEB liability	\$ 525,737	\$ 467,658	\$ 417,994

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF'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 J - 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 15 years with interest ranging from 2.596% 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, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>	<u>Current Portion</u>
<u>Governmental Activities</u>					
Capital Leases:					
Vehicles and equipment	\$ 819,292	\$ 17,502,280	\$ 1,337,111	\$ 16,984,461	\$ 936,219
Quality Zone Academy Bonds	1,112,341	-	181,000	931,341	183,000
Build America Bonds	4,287,714	-	295,885	3,991,829	314,911
Certificates of Participation	7,425,000	-	350,000	7,075,000	360,000
Compensated absences	622,641	5,222,093	-	5,844,734	-
CDE Funding	41,961	-	-	41,961	-
Total Governmental Activities	\$ 14,308,949	\$ 22,724,373	\$ 2,163,996	\$ 34,869,326	\$ 1,794,130
<u>Component Unit Activities</u>					
Bond payable	\$ 3,570,000	\$ -	\$ 55,000	\$ 3,515,000	\$ 45,000
Discount	(27,600)	-	(27,600)	0	-
Total Component Unit Activities	\$ 3,542,400	\$ -	\$ 27,400	\$ 3,515,000	\$ 45,000

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, 2018

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

On December 21, 2018 the Colorado Education and Cultural Facilities Authority (CECFA) completed the re-issuance of the Charter School Revenue Bonds, Series 2014. The following provisions were amended under the re-issuance:

The interest rate on the bonds was decreased to 5.35% from 5.70% effective January 1, 2018. The maturity date of the bonds was extended from November 2019 to November 15, 2027. The optional redemption prior to maturity provision was amended to reflect a 0.5% redemption premium for bonds maturing on or after November 15, 2022 and November 14, 2023 and no redemption premium for bonds maturing on November 15, 2023 and thereafter. Semi-annual interest payments are due on May 15 and November 15 and annual principal payments are due on November 15. A final balloon payment in the amount of \$2,965,000 is due on November 15, 2027.

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>
2019	\$ 45,000	\$ 186,849	\$ 231,849
2020	50,000	184,308	234,308
2021	55,000	181,499	236,499
2022	60,000	178,422	238,422
2023	60,000	175,212	235,212
2024 - 2028	3,245,000	744,587	3,989,587
Total	\$ 3,515,000	\$ 1,650,877	\$ 5,165,877

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	\$ 12,220,403
Less: Accumulated depreciation	2,242,861
Total	\$ 14,463,264

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

Fiscal Year Ending	Governmental Funds					
	Capital Leases		Quality Zone Academy		Build America Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 936,219	\$ 86,785	\$ 183,000	\$ 5,495	\$ 314,911	\$ 256,297
2020	1,500,575	696,654	185,000	4,415	335,162	236,046
2021	1,624,136	509,646	186,000	3,324	356,719	214,490
2022	1,552,987	458,937	188,000	2,226	379,665	191,544
2023	773,380	411,614	189,341	1,117	404,089	167,120
2024 - 28	4,307,675	1,617,295	-	-	1,545,520	464,017
2029 - 33	5,145,894	779,076	-	-	655,762	66,839
2034	1,143,595	41,399	-	-	-	-
Total	\$ 16,984,461	\$ 4,601,406	\$ 931,341	\$ 16,577	\$ 3,991,828	\$ 1,596,353

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2018

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

Minimum annual lease payments (continued)

Fiscal Year	COPS	
	Principal	Interest
Ending		
2019	\$ 360,000	\$ 225,152
2020	365,000	218,303
2021	370,000	210,637
2022	380,000	201,850
2023	390,000	192,350
2024 - 28	2,130,000	783,403
2029 - 33	2,520,000	391,463
2034	560,000	21,000
Total	\$ 7,075,000	\$ 2,244,158

NOTE K - GENERAL OBLIGATION BONDS

General obligation bonds payable and payments on the bonds for the fiscal year ended June 30, 2018 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%.	\$ 7,780,000
\$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%.	9,330,000
\$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%.	1,100,000
\$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%.	57,480,000
	<u>\$ 75,690,000</u>

	July 1, 2017	Issued	Retired	June 30, 2018	Current Portion
General Obligation Bonds					
Refunding 2001	\$ 11,395,000	\$ -	\$ 3,615,000	\$ 7,780,000	\$ 3,795,000
Refunding 2010	10,970,000	-	1,640,000	9,330,000	1,690,000
Refunding 2011	1,100,000	-	-	1,100,000	-
Building 2013	57,480,000	-	-	57,480,000	-
Unamortized premiums	5,025,042	-	366,550	4,658,492	-
Totals	\$ 85,970,042	\$ -	\$ 5,621,550	\$ 80,348,492	\$ 5,485,000

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 June 30, 2018

NOTE K - GENERAL OBLIGATION BONDS (Continued)

Future years repayment schedule:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	5,150,000	2,287,669	7,437,669
2023	5,360,000	2,072,469	7,432,469
2024 - 2028	25,535,000	7,162,694	32,697,694
2029 - 2033	<u>23,440,000</u>	<u>2,311,184</u>	<u>25,751,184</u>
Total	<u>\$ 75,690,000</u>	<u>\$ 22,050,310</u>	<u>\$ 97,740,310</u>

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 L - INTERFUND RECEIVABLES AND PAYABLES

A summary of the interfund receivables and payables at June 30, 2018 as reported in the balance sheet for government funds follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$ 741,002	\$ 2,099,592
Nonmajor Governmental Funds	358	593,120
Fiduciary Fund	3,848	2,668
Component Unit	<u>2,097,516</u>	<u>147,344</u>
Total All Funds	<u>\$ 2,842,724</u>	<u>\$ 2,842,724</u>

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 M - 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, 2018 consisted of transfers and allocations to nonmajor governmental funds from the general fund in the amount of \$1,247,327.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2018

NOTE N - 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, 2018

NOTE N - 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	\$ 77,820	\$ -	\$ -	\$ 67,086	\$ 144,906
Restricted					
Tabor reserve	2,108,200	-	-	93,000	2,201,200
Preschool reserve	7,462	-	-	-	7,462
Grant restriction	-	-	-	10,311	10,311
Capital Reserve	12,402,073	-	-	-	12,402,073
Debt service	-	13,180,014	-	-	13,180,014
Total Restricted	<u>14,517,735</u>	<u>13,180,014</u>	<u>-</u>	<u>103,311</u>	<u>27,801,060</u>
Assigned					
Capital reserve	362,278	-	-	-	362,278
Insurance reserve	450,330	-	-	-	450,330
Food service	-	-	-	672,226	672,226
Designated grants	-	-	-	451,609	451,609
Athletic fund	-	-	-	53,190	53,190
Foundation	-	-	-	4,984	4,984
Total Assigned	<u>812,608</u>	<u>-</u>	<u>-</u>	<u>1,182,009</u>	<u>1,994,617</u>
Unassigned					
General Government	<u>6,192,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,192,198</u>
Total Fund Balances	<u>\$ 21,600,361</u>	<u>\$ 13,180,014</u>	<u>\$ -</u>	<u>\$ 1,352,406</u>	<u>\$ 36,132,781</u>

NOTE O - 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, 2018, the District provided \$6,000 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 P - 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, 2018

NOTE P - 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, 2017, the School District's reserve requirement was approximately \$2,201,200 and \$186,300 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 Designated Grants Fund, the Food Service Fund, the Athletic 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 \$53,128,929, which represents approximately 60% 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 Q - NET CHANGES IN AGENCY FUNDS

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Funds Held - June 30, 2017	\$ -	\$ -	\$ 1,112,403
Revenue	3,310,033	3,310,033	2,049,228
Expenditures	<u>3,310,033</u>	<u>3,310,033</u>	<u>2,009,022</u>
Funds Held - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,152,609</u>

The fund balance as of June 30, 2018 on the District's general ledger is reported as the Statement of Fiduciary Net Position.

NOTE R - RESTATEMENT OF NET POSITION

For the year ended June 30, 2018, the District adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)* effective July 1, 2017. As a result net position at June 30, 2017 was required to be restated to reflect the cumulative effect of adopting the standards. Certain balances of deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2017 were not available and have not been reported in the financial statements. A summary of the changes to net position follows:

	<u>Governmental Activities</u>	<u>Component Unit Charter Schools</u>
Net position at June 30, 2017 (as originally stated)	\$ (102,936,719)	\$ (6,356,543)
Net OPEB liability at June 30, 2017	(6,122,027)	(442,462)
Net position at June 30, 2017 (restated)	<u>\$ (109,058,746)</u>	<u>\$ (6,799,005)</u>

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, 2018

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local property tax	\$ 18,103,900	\$ 18,459,139	\$ 18,724,431	\$ 265,292
Specific ownership tax	1,529,233	631,163	2,755,661	2,124,498
State sources	52,272,183	53,252,697	53,021,632	(231,065)
Federal sources	1,167,529	1,167,529	1,549,013	381,484
Other sources	1,967,249	2,458,049	1,429,822	(1,028,227)
Fund allocations	<u>(6,413,753)</u>	<u>(5,715,374)</u>	<u>(6,025,760)</u>	<u>(310,386)</u>
Total Revenues	<u>68,626,341</u>	<u>70,253,203</u>	<u>71,454,799</u>	<u>1,201,596</u>
Expenditures				
Direct instruction	38,822,634	39,928,814	38,826,566	1,102,248
Indirect instruction	15,687,881	15,904,498	15,245,709	658,789
Transportation	2,596,246	2,596,246	2,676,663	(80,417)
Custodial and maintenance	6,418,146	6,753,645	5,067,606	1,686,039
Other support services	3,346,675	3,736,922	3,667,514	69,408
General administration	462,617	455,718	587,249	(131,531)
Capital outlay	448,470	14,456,076	6,338,586	8,117,490
Debt service:				
Principal retirement	2,062,422	2,062,422	2,163,996	(101,574)
Interest and fiscal charges	567,205	567,205	567,205	-
Contingency	<u>4,501,013</u>	<u>4,978,682</u>	<u>-</u>	<u>4,978,682</u>
Total Expenditures	<u>74,913,309</u>	<u>91,440,228</u>	<u>75,141,094</u>	<u>16,299,134</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,286,968)</u>	<u>(21,187,025)</u>	<u>(3,686,295)</u>	<u>17,500,730</u>
Other Financing Sources (Uses)				
Transfers to other funds	(1,310,000)	(1,503,972)	(1,247,327)	256,645
Transfers from other funds	-	-	-	-
Proceeds from capital lease	<u>-</u>	<u>15,000,000</u>	<u>17,502,280</u>	<u>2,502,280</u>
Total Other Financing Sources (Uses)	<u>(1,310,000)</u>	<u>13,496,028</u>	<u>16,254,953</u>	<u>2,758,925</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(7,596,968)</u>	<u>(7,690,997)</u>	<u>12,568,658</u>	<u>20,259,655</u>
Fund Balances - July 1	<u>7,596,968</u>	<u>7,690,997</u>	<u>9,031,703</u>	<u>1,340,706</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,600,361</u>	<u>\$ 21,600,361</u>

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE -
SCHOOL DIVISION TRUST FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
Last 10 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Primary Government					
School's proportion (percentage) of the net pension liability	0.90530820530%	0.85941073360%	0.84404636939%	0.8709059842%	0.8762041253%
School's proportionate share of the net pension liability	\$ 292,709,997	\$ 255,845,307	\$ 129,059,082	\$ 118,019,596	\$ 111,759,600
School's covered-employee payroll	\$ 42,055,165	\$ 40,257,198	\$ 37,389,300	\$ 36,719,056	\$ 36,636,231
School's proportionate share of the net pension liability as a percentage of covered-employee payroll	696.01%	635.53%	345.18%	321.41%	305.05%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.10%	59.20%	62.80%	64.06%
Connect Charter School - Component Unit					
School's proportion (percentage) of the net pension liability	0.02168941170%	0.02107794920%	0.02102697560%	0.0203314245%	0.0238526492%
School's proportionate share of the net pension liability	\$ 7,012,752	\$ 6,274,888	\$ 3,215,095	\$ 2,755,184	\$ 3,042,399
School's covered-employee payroll	\$ 1,007,187	\$ 988,197	\$ 927,496	\$ 888,415	\$ 907,305
School's proportionate share of the net pension liability as a percentage of covered-employee payroll	696.27%	634.98%	346.64%	310.12%	335.32%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.10%	59.20%	62.80%	64.06%
Swallows Academy - Component Unit					
School's proportion (percentage) of the net pension liability	0.0416%	0.0410%	0.0378%	0.0399000000%	Not
School's proportionate share of the net pension liability	\$ 13,455,619	\$ 12,204,877	\$ 5,781,491	\$ 5,413,115	Determined by
School's covered-employee payroll	\$ 1,919,480	\$ 1,839,444	\$ 1,647,388	\$ 1,563,473	Swallows
School's proportionate share of the net pension liability as a percentage of covered-employee payroll	701.00%	663.50%	350.90%	346.20%	Academy
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.10%	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 - SCHOOL DIVISION TRUST FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Primary Government					
Statutorily required contributions	\$ 7,940,512	\$ 7,402,323	\$ 6,632,003	\$ 6,142,030	\$ 5,785,691
Contributions in relation to the statutorily required contributions	<u>7,940,512</u>	<u>7,402,323</u>	<u>6,632,003</u>	<u>6,142,030</u>	<u>5,785,691</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 42,055,165	\$ 40,257,198	\$ 37,389,300	\$ 36,719,056	\$ 36,636,231
Contribution as a percentage of covered-employee payroll	18.88%	18.39%	17.73%	16.73%	15.79%
Connect Charter School - Component Unit					
Statutorily required contributions	\$ 186,395	\$ 181,687	\$ 164,441	\$ 150,035	\$ 144,879
Contributions in relation to the statutorily required contributions	<u>186,395</u>	<u>181,687</u>	<u>164,441</u>	<u>150,035</u>	<u>144,879</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,007,187	\$ 988,197	\$ 927,496	\$ 888,415	\$ 907,305
Contribution as a percentage of covered-employee payroll	18.51%	18.39%	17.73%	16.89%	15.97%
Swallows Academy - Component Unit					
Statutorily required contributions	\$ 367,176	\$ 368,788	\$ 325,424	\$ 289,100	\$ 261,027
Contributions in relation to the statutorily required contributions	<u>367,176</u>	<u>368,788</u>	<u>325,424</u>	<u>289,100</u>	<u>261,027</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,949,780	\$ 1,900,850	\$ 1,734,075	\$ 1,614,650	\$ 1,559,857
Contribution as a percentage of covered-employee payroll	18.83%	19.40%	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.

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE -
HEALTH CARE TRUST FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>
Primary Government		
School's proportion (percentage) of the net pension liability	0.5144%	0.4885%
School's proportionate share of the net pension liability	\$ 6,687,047	\$ 6,333,560
School's covered-employee payroll	\$ 4,176,063	\$ 38,571,889
School's proportionate share of the net pension liability as a percentage of covered-employee payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	16.72%
Connect Charter School - Component Unit		
School's proportion (percentage) of the net pension liability	0.01232%	0.01198%
School's proportionate share of the net pension liability	\$ 160,334	\$ 155,337
School's covered-employee payroll	\$ 1,000,507	\$ 946,016
School's proportionate share of the net pension liability as a percentage of covered-employee payroll	16.02%	16.42%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	16.72%
Swallows Academy - Component Unit		
School's proportion (percentage) of the net pension liability	0.0236%	0.0233%
School's proportionate share of the net pension liability	\$ 307,274	\$ 302,034
School's covered-employee payroll	\$ 1,919,480	\$ 1,839,444
School's proportionate share of the net pension liability as a percentage of covered-employee payroll	16.00%	16.40%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	16.72%

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 - HEALTH CARE TRUST FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
 Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>
Primary Government		
Statutorily required contributions	\$ 428,963	\$ 410,623
Contributions in relation to the statutorily required contributions	<u>428,963</u>	<u>410,623</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 42,055,165	\$ 40,257,199
Contribution as a percentage of covered-employee payroll	1.02%	1.02%
Connect Charter School - Component Unit		
Statutorily required contributions	\$ 10,273	\$ 10,079
Contributions in relation to the statutorily required contributions	<u>10,273</u>	<u>10,079</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,007,187	\$ 988,197
Contribution as a percentage of covered-employee payroll	1.02%	1.02%
Swallows Academy - Component Unit		
Statutorily required contributions	\$ 19,888	\$ 19,389
Contributions in relation to the statutorily required contributions	<u>19,888</u>	<u>19,389</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,949,780	\$ 1,900,850
Contribution as a percentage of covered-employee payroll	1.02%	1.02%

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, 2018

	<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>The School</u> <u>District 70</u> <u>Education</u> <u>Foundation</u>	<u>Totals</u>
<u>Assets</u>					
Cash in bank and on hand	\$ 667,317	\$ 220,957	\$ 566,911	\$ 4,984	\$ 1,460,169
Investments at fair value	-	-	73,494	-	73,494
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	358	-	358
Accrued federal revenue	244,139	-	986,035	-	1,230,174
Inventories	67,086	-	-	-	67,086
Total Assets	<u>978,542</u>	<u>220,957</u>	<u>1,626,798</u>	<u>4,984</u>	<u>2,831,281</u>
<u>Liabilities</u>					
Accounts payable	3,427	13,548	88,602	-	105,577
Accrued salaries and P.E.R.A.	190,203	107,778	417,385	-	715,366
Due to other funds	-	341	592,779	-	593,120
Unearned revenue	-	-	64,812	-	64,812
Total Liabilities	<u>193,630</u>	<u>121,667</u>	<u>1,163,578</u>	<u>-</u>	<u>1,478,875</u>
<u>Fund Balance</u>					
Nonspendable	67,086	-	-	-	67,086
Restricted	45,600	46,100	11,611	-	103,311
Assigned	672,226	53,190	451,609	4,984	1,182,009
Total Fund Balances	<u>\$ 784,912</u>	<u>\$ 99,290</u>	<u>\$ 463,220</u>	<u>\$ 4,984</u>	<u>\$ 1,352,406</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, 2018

	<u>Food Service Fund</u>	<u>Pupil Athletic Fund</u>	<u>Governmental Designated Purpose Grants Fund</u>	<u>The School District 70 Education Foundation</u>	<u>Totals</u>
Revenues					
State sources	\$ 66,302	\$ -	\$ 40,995	\$ -	\$ 107,297
Federal sources	2,511,373	-	3,449,418	-	5,960,791
Other sources	1,452,514	465,321	145,412	15,600	2,078,847
Fund allocations	-	-	-	-	-
Total Revenues	<u>4,030,189</u>	<u>465,321</u>	<u>3,635,825</u>	<u>15,600</u>	<u>8,146,935</u>
Expenditures					
Direct instruction	-	1,359,950	2,408,588	-	3,768,538
Indirect instruction	-	-	1,007,605	-	1,007,605
Transportation	-	153,231	-	-	153,231
Custodial and maintenance	11,779	-	765	-	12,544
Other support services	3,784,145	407	44,517	10,616	3,839,685
General administration	-	-	68,054	-	68,054
Capital outlay	110,962	-	79,193	-	190,155
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>3,906,886</u>	<u>1,513,588</u>	<u>3,608,722</u>	<u>10,616</u>	<u>9,039,812</u>
Excess of Revenues Over (Under) Expenditures	<u>123,303</u>	<u>(1,048,267)</u>	<u>27,103</u>	<u>4,984</u>	<u>(892,877)</u>
Other Financing Sources (Uses)					
Transfer to other funds	-	-	-	-	-
Transfers from other funds	-	1,053,356	-	-	1,053,356
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,053,356</u>	<u>-</u>	<u>-</u>	<u>1,053,356</u>
Net Change in Fund Balance	123,303	5,089	27,103	4,984	160,479
Fund Balances - July 1	<u>661,609</u>	<u>94,201</u>	<u>436,117</u>	<u>-</u>	<u>1,191,927</u>
Fund Balances - June 30	<u>\$ 784,912</u>	<u>\$ 99,290</u>	<u>\$ 463,220</u>	<u>\$ 4,984</u>	<u>\$ 1,352,406</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, 2018

	<u>Budgeted Amount</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Other sources	\$ 492,589	\$ 492,589	\$ 465,321	\$ (27,268)
Expenditures				
Direct instruction	1,576,289	1,576,289	1,359,950	216,339
Indirect instruction	-	-	-	-
Transportation	214,800	214,800	153,231	61,569
Other support services	1,500	1,500	407	1,093
Capital outlay	-	-	-	-
Total Expenditures	<u>1,792,589</u>	<u>1,792,589</u>	<u>1,513,588</u>	<u>279,001</u>
Excess of Revenues Over (Under) Expenditures	(1,300,000)	(1,300,000)	(1,048,267)	251,733
Other Financing Sources (Uses)				
Transfers from other funds	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,053,356</u>	<u>(246,644)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	5,089	5,089
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>94,201</u>	<u>94,201</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,290</u>	<u>\$ 99,290</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, 2018

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				(Unfavorable)
Revenues				
Federal sources	\$ 4,133,887	\$ 3,910,372	\$ 3,449,418	\$ (460,954)
State sources	-	-	40,995	40,995
Other sources	<u>892,735</u>	<u>892,735</u>	<u>145,412</u>	<u>(747,323)</u>
Total Revenues	<u>5,026,622</u>	<u>4,803,107</u>	<u>3,635,825</u>	<u>(1,167,282)</u>
Expenditures				
Direct instruction	3,770,451	3,612,673	2,408,588	1,204,085
Indirect instruction	1,177,706	1,114,329	1,007,605	106,724
Custodial and maintenance	-	-	765	(765)
Other support services	60,532	58,172	44,517	13,655
General administration	17,933	17,933	68,054	(50,121)
Capital outlay	-	-	79,193	(79,193)
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>5,026,622</u>	<u>4,803,107</u>	<u>3,608,722</u>	<u>1,194,385</u>
Excess of Revenues Over				
(Under) Expenditures	-	-	27,103	27,103
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>436,117</u>	<u>436,117</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 463,220</u>	<u>\$ 463,220</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, 2018

	<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				
Taxes	\$ 8,705,143	\$ 8,705,143	\$ 8,978,876	\$ 273,733
Other sources	35,000	35,000	74,979	39,979
Total Revenues	<u>8,740,143</u>	<u>8,740,143</u>	<u>9,053,855</u>	<u>313,712</u>
Expenditures				
Debt service:				
Principal retirement	2,119,375	2,119,375	5,255,000	(3,135,625)
Interest and fiscal charges	6,401,247	6,401,247	3,258,996	3,142,251
Contingency	219,521	219,521	-	219,521
Total Expenditures	<u>8,740,143</u>	<u>8,740,143</u>	<u>8,513,996</u>	<u>226,147</u>
Excess of Revenues Over (Under) Expenditures	-	-	539,859	539,859
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>12,640,155</u>	<u>12,640,155</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,180,014</u>	<u>\$ 13,180,014</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, 2018

	<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				
State sources	\$ -	\$ -	\$ -	\$ -
Other sources	-	-	3,512	3,512
Total Revenues	-	-	3,512	3,512
Expenditures				
Other support services	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	3,512	3,512
Other Financing Sources (Uses)				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	193,971	193,971
Total Other Financing Sources (Uses)	-	-	193,971	193,971
Net Change in Fund Balances	-	-	197,483	197,483
Fund Balances - July 1	-	-	(197,483)	(197,483)
Fund Balances - June 30	\$ -	\$ -	\$ -	\$ -

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, 2018

	<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	\$ 2,530,500	\$ 2,530,500	\$ 2,511,373	\$ (19,127)
State sources	75,700	75,700	66,302	(9,398)
Local sources	<u>1,593,800</u>	<u>1,593,800</u>	<u>1,452,514</u>	<u>(141,286)</u>
Total Revenues	<u>4,200,000</u>	<u>4,200,000</u>	<u>4,030,189</u>	<u>(169,811)</u>
Expenditures				
Indirect instructional	-	22,668	-	22,668
Custodial and maintenance	8,700	8,700	11,779	(3,079)
Other support services	4,148,300	4,125,632	3,784,145	341,487
Capital outlay	<u>43,000</u>	<u>43,000</u>	<u>110,962</u>	<u>(67,962)</u>
Total Expenditures	<u>4,200,000</u>	<u>4,200,000</u>	<u>3,906,886</u>	<u>293,114</u>
Excess of Revenues Over (Under) Expenditures	-	-	123,303	123,303
Fund Balances - July 1 (Restated)	<u>-</u>	<u>-</u>	<u>661,609</u>	<u>661,609</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 784,912</u>	<u>\$ 784,912</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
EDUCATION FOUNDATION
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2018

	<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				
State sources	\$ -	\$ -	\$ -	\$ -
Other sources	20,000	20,000	15,600	(4,400)
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>15,600</u>	<u>(4,400)</u>
Expenditures				
Other support services	20,000	20,000	10,616	9,384
Capital Outlay	-	-	-	-
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>10,616</u>	<u>9,384</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>4,984</u>	<u>4,984</u>
Other Financing Sources (Uses)				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>4,984</u>	<u>4,984</u>
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,984</u>	<u>\$ 4,984</u>

COMBINING BALANCE SHEET
COMPONENT UNIT - CHARTER SCHOOLS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2018

	<u>Connect School</u>	<u>Swallows Charter Academy</u>	<u>Total Charter Schools</u>
<u>Assets</u>			
Cash in bank and on hand	\$ 92,886	\$ 1,118,479	\$ 1,211,365
Due from the District	2,016,296	82,638	2,098,934
Accounts receivable	-	7,576	7,576
Prepaid expenses	-	30,441	30,441
Deposit	-	1,000	1,000
Total Assets	<u>2,109,182</u>	<u>1,240,134</u>	<u>3,349,316</u>
<u>Liabilities and Fund Balances</u>			
Accounts payable	18,879	71,503	90,382
Accrued salaries and P.E.R.A.	168,964	170,477	339,441
Due to the District	147,344	-	147,344
Total Liabilities	<u>335,187</u>	<u>241,980</u>	<u>577,167</u>
Fund Balances			
Nonspendable	-	31,441	31,441
Restricted - Tabor Reserve	58,300	128,000	186,300
Assigned - Charter School Operations	1,715,695	838,713	2,554,408
Total Fund Balances	<u>\$ 1,773,995</u>	<u>\$ 998,154</u>	<u>\$ 2,772,149</u>
Amounts reported for component unit activities in the statement of net position are different because:			
Component Unit Total Fund Balances	\$ 1,773,995	\$ 998,154	\$ 2,772,149
Capital assets, net of depreciation	32,804	1,233,829	1,266,633
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.	-	(94,135)	(94,135)
Deferred activity related to pension assumptions are not recorded and included in the governmental funds.	1,463,453	3,694,162	5,157,615
Deferred activity related to OPEB assumptions are not recorded and included in the governmental funds.	7,133	10,149	17,282
Long term liability for compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(64,881)	-	(64,881)
The long-term liabilities for pension (\$20,468,371) and OPEB (\$467,608) are not due and payable in the current period and therefore, not reported in governmental funds.	<u>(7,173,086)</u>	<u>(13,762,893)</u>	<u>(20,935,979)</u>
Net Position of Component Unit Activities	<u>\$ (3,960,582)</u>	<u>\$ (7,920,734)</u>	<u>\$ (11,881,316)</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, 2018

	<u>Connect School</u>	<u>Swallows Charter Academy</u>	<u>Total Charter Schools</u>
Revenues			
Other sources	\$ 17	\$ -	\$ 17
Federal and State sources	-	150,688	150,688
Fund allocations	<u>1,884,017</u>	<u>4,258,894</u>	<u>6,142,911</u>
Total Revenues	<u>1,884,034</u>	<u>4,409,582</u>	<u>6,293,616</u>
Expenditures			
Direct instruction	1,211,938	2,251,440	3,463,378
Indirect instruction	411,837	-	411,837
Custodial and maintenance	78,176	-	78,176
Other support services	28,170	1,941,811	1,969,981
General administration	27,698	-	27,698
Capital outlay	<u>22,960</u>	<u>-</u>	<u>22,960</u>
Total Expenditures	<u>1,780,779</u>	<u>4,193,251</u>	<u>5,974,030</u>
Excess of Revenues Over (Under) Expenditures	103,255	216,331	319,586
Other Financing Sources			
Transfer to other funds	<u>-</u>	<u>(64,310)</u>	<u>(64,310)</u>
Net Change in Fund Balance	103,255	152,021	255,276
Fund Balances - July 1	<u>1,670,740</u>	<u>846,133</u>	<u>2,516,873</u>
Fund Balances - June 30	<u>\$ 1,773,995</u>	<u>\$ 998,154</u>	<u>\$ 2,772,149</u>
Amounts reported for component unit activities in the Statement of Activities are different because:			
Component Unit Net change in Fund Balances	\$ 103,255	\$ 152,021	\$ 255,276
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	-	(132,588)	(132,588)
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 capital outlay (\$85,910) exceeded depreciation expense (\$81,295).	17,567	(12,952)	4,615
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.	(64,881)	-	(64,881)
Net pension (\$5,136,869) and OPEB (\$7,864) expenses 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>(1,316,349)</u>	<u>(3,828,384)</u>	<u>(5,144,733)</u>
Change in Net Position of Component Unit Activities	<u>\$ (1,260,408)</u>	<u>\$ (3,821,903)</u>	<u>\$ (5,082,311)</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, 2018

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				Favorable
				(Unfavorable)
Revenues				
Other sources	\$ 500	\$ 500	\$ 17	\$ (483)
Fund allocations	<u>1,739,314</u>	<u>1,782,583</u>	<u>1,884,017</u>	<u>101,434</u>
Total Revenues	<u>1,739,814</u>	<u>1,783,083</u>	<u>1,884,034</u>	<u>100,951</u>
Expenditures				
Direct instruction	1,434,345	1,416,438	1,211,938	204,500
Indirect instruction	457,362	378,620	411,837	(33,217)
Custodial and maintenance	43,828	47,167	78,176	(31,009)
Other support services	27,356	27,356	28,170	(814)
General administration	-	-	27,698	(27,698)
Capital outlay	80,000	80,000	22,960	57,040
Contingency	<u>1,225,791</u>	<u>1,362,370</u>	<u>-</u>	<u>1,362,370</u>
Total Expenditures	<u>3,268,682</u>	<u>3,311,951</u>	<u>1,780,779</u>	<u>1,531,172</u>
Excess of Revenues Over				
(Under) Expenditures	(1,528,868)	(1,528,868)	103,255	1,632,123
Fund Balances - July 1	<u>1,528,868</u>	<u>1,528,868</u>	<u>1,670,740</u>	<u>141,872</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,773,995</u>	<u>\$ 1,773,995</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, 2018

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				(Unfavorable)
Revenues				
Charges for services	\$ 71,000	\$ 71,242	\$ 85,564	\$ 14,322
Federal and state sources	139,500	141,625	150,688	9,063
Other	-	-	30,170	30,170
Fund allocations	<u>4,031,550</u>	<u>4,092,963</u>	<u>4,143,160</u>	<u>50,197</u>
Total Revenues	<u>4,242,050</u>	<u>4,305,830</u>	<u>4,409,582</u>	<u>103,752</u>
Expenditures				
Salaries	2,142,372	2,165,234	2,163,261	1,973
Employee benefits	642,825	612,710	550,713	61,997
Purchased services	1,182,694	1,189,294	1,110,383	78,911
Supplies and materials	180,000	200,000	201,555	(1,555)
Property	10,000	18,000	72,283	(54,283)
Other	<u>83,000</u>	<u>83,242</u>	<u>95,056</u>	<u>(11,814)</u>
Total Expenditures	<u>4,240,891</u>	<u>4,268,480</u>	<u>4,193,251</u>	<u>75,229</u>
Excess of Revenues Over (Under) Expenditures	1,159	37,350	216,331	178,981
Other Financing Sources				
Transfer to other funds	-	-	(64,310)	(64,310)
Net Change in Fund Balance	1,159	37,350	152,021	114,671
Fund Balances - July 1	<u>846,133</u>	<u>846,133</u>	<u>846,133</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 847,292</u>	<u>\$ 883,483</u>	<u>\$ 998,154</u>	<u>\$ 114,671</u>

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2018

	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	\$ 1,088,754
Migrant Education - State Grant Program	84.011	4011	626,725
Special Education - Grants to States	84.027	4027, 5027, 9027	1,411,558
Special Education - Preschool Grant	84.173	4173	17,129
Career and Technical Education - Basic Grants to States	84.048	4048	57,279
English Language Acquisition Grants	84.365	4365	20,815
Improving Teacher Quality State Grants	84.367	4367	205,272
Race to the Top - Early Learning Challenge	84.412	5412	5,612
Student Support and Academic Enrichment Program	84.424	4424	<u>16,274</u>
Total U.S. Department of Education			<u>3,449,418</u>
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education			
School Breakfast Program	10.553	4553	698,142
National School Lunch Program	10.555	4555	1,803,799
Summer Food Service Program for Children	10.559	4559	<u>35,926</u>
Total U.S. Department of Agriculture			<u>2,537,867</u>
<u>Other Federal Assistance</u>			
Department of the Army			
ROTC Salary reimbursement	12.000	9001	<u>132,490</u>
Total Other Federal Assistance			<u>132,490</u>
Total Federal Assistance			<u>\$ 6,119,775</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, 2018

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 \$256,476 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 \$30,688 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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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*

Independent Auditor's Report

February 19, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 have not been 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 2018-001 through 2018-008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-009.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Garrett, Ross & DeNardo, Inc.

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

February 19, 2019

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 the District's major federal programs for the year ended June 30, 2018. The District'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 the District'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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District 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, 2018.

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 2018-009. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District'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 the District 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 the District'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 the District'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 have not been 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 2018-007 and 2018-009, that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District'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.

Garrin, Ross & DeNardo, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2018

SECTION I - SUMMARY OF AUDIT RESULTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	___ yes <u> x </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> x </u> yes ___ no
Noncompliance material to financial statements noted?	___ yes <u> x </u> no
<i>Federal Awards</i>	
Internal control over major programs:	
• Material weakness(es) identified?	___ yes <u> x </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> x </u> yes ___ 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)?	<u> x </u> yes ___ no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.011	Migrant Education - State Grant Program
84.027	Special Education - State Grant Program

Dollar threshold used to distinguish between type A and type B programs:	\$ <u> 750,000 </u>
Auditee qualified as low-risk auditee?	<u> x </u> yes ___ no

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

2018-001 Errors Identified with the Conversion of Fixed Assets and Depreciation Software

Condition and Context:

The District converted data to a new fixed asset accounting and depreciation software. The data did not correctly convert from the system previously used. Errors were noted in cost, accumulated depreciation, budget codes and other elements. Extensive additional time will be required to address these deficiencies.

Criteria:

Reports after the conversion should have been compared with prior year end reports for accuracy.

Cause:

Conversion did not transfer data correctly.

Effect:

When the data did not convert accurately it caused the cost, and accumulated depreciation to be incorrect.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2018-001 Errors Identified with the Conversion of Fixed Assets and Depreciation Software (Continued)

Recommendation:

The District will need to devote time to address the deficiencies and correct data.

Response:

The School District will continue to devote additional time to correct data conversion deficiencies.

2018-002 Allocations and Transfers Between Funds Were Not in Balance

Condition and Context:

Allocations and transfers between funds were not in balance at year end nor at certain times during the fiscal year.

Criteria:

Reconciliations at year end nor during the fiscal year were done to ensure that the allocations and transfers were correct and in balance.

Cause:

Entries made to the allocation and transfer accounts were not made in all affected funds which caused them to be out of balance.

Effect:

Allocations and transfers between funds not being in balance could result in interfund transactions not being recognized in the correct fund and accounting period.

Recommendation:

Procedures should be followed and all allocation and transfer accounts be reconciled monthly.

Response:

The District will follow procedures and reconcile all allocation and transfer accounts each month.

2018-003 Formalizing Process to Produce Monthly Financial Statements

Condition and Context:

A protocol should be in place to ensure key financial statement accounts are reconciled and adjusted on a monthly basis. A review process should be timely and completed each month.

Criteria:

Procedures for key financial statement accounts to ensure they are reconciled and adjusted on a monthly basis with adequate review time.

Cause:

Reconciliation and review of key financial statement accounts were not completed on a monthly basis which causes some errors in the monthly financial statements.

Effect:

Not following protocol to review and reconcile key financial statement accounts results in some errors in the monthly financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2018-003 Formalizing Process to Produce Monthly Financial Statements (Continued)

Recommendation:

Procedures or processes should be implemented to ensure key financial statement accounts are reconciled and reviewed on a monthly basis.

Response:

The District will include procedures to ensure key financial statement accounts are reconciled and reviewed on a monthly basis.

2018-004 P Card Policy Violation

(Repeat Finding 2017-001)

Condition and Context:

Purchases are not always being delivered to receipt's work location and proper documentation not always given to accounting to support purchases.

Criteria:

Policy should be followed when using the P Card for purchases.

Cause:

Policy is not being followed for all P Card purchases.

Effect:

When policy is not followed accounting must take additional steps to ensure that the item is accounted for and to verify the item was a valid purchase.

Recommendation:

Advising employees that have authority to use P Cards for purchasing that they follow policy.

Response:

The School District will review policy with all necessary employees.

2018-005 Bank Account Reconciliations

(Repeat Finding 2017-002)

Condition and Context:

Not all bank reconciliations were correctly reconciled at year end.

Criteria:

Procedures for bank reconciliations need to be followed to ensure that the reconciliations are correct.

Cause:

Procedures were not always followed to determine that bank reconciliations agreed with the general ledger balances.

Effect:

Bank reconciliations not being correct could lead to financial statements being misstated.

Recommendation:

Review procedures to be followed on all bank reconciliations.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2018-005 Bank Account Reconciliations (Continued)

Response:

The District will follow current procedures and review all bank reconciliations for accuracy and completeness.

2018-006 Interfund Balances

(Repeat Finding 2017-003)

Condition and Context:

The interfund balances were not in agreement at year end.

Criteria:

Reconciliations at year end were not done to ensure that the balances were correct and in balance.

Cause:

Entries made to the interfund accounts caused them to be out of balance.

Effect:

Interfund accounts not being in balance could result in interfund transactions not being recognized in the correct fund and accounting period.

Recommendation:

Procedures should be followed and all interfund accounts be reconciled monthly.

Response:

The District will follow procedures and reconcile all interfund accounts each month.

2018-007 Coding of Grant Revenues and Expenditures

(Repeat Finding 2017-006)

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.

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 reconciled to the general ledger.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2018-007 Coding of Grant Revenues and Expenditures (Continued)

Response:

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

2018-008 Balances Outstanding Between Funds Should be Cleared on a Timely Basis
(Repeat Finding 2017-007)

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

2018-009 Reimbursement claim forms/reports
(Repeat finding 2017-008)

Condition and Context:

During the prior year audit we had some instances of duplicating expenditures. We also identified in the prior year, a discrepancy on the reimbursement reports relating to the line "previously reported funds" which was overstated. This discrepancy resulted in the District not using their total grant award. The District had contacted the granting agency to try and rectify this discrepancy.

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. The information reported on the reimbursement forms should be reviewed and verified for accuracy.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2018

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

2018-009 Reimbursement claim forms/reports (Continued)

Cause:

The procedures were not followed to ensure that the underlying expenditures requested for reimbursement agreed with the general ledger. A review of the prepared requests were not reviewed fully to identify this error.

Effect:

The District ended up using grant award but expenditures were duplicated, omitted and corrected on multiple reimbursement requests during the fiscal year.

Recommendation:

Reimbursement claim forms/reports submitted for government grants should be reconciled to the detailed transactions recorded in the general ledger and to previously submitted report totals 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

2017-008 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. Errors were also identified on the reimbursement reports relating to the line "previously reported funds" which was overstated. This discrepancy resulted in the district not using their total grant award. The District contacted the granting agency to try and rectify this discrepancy. Failure to complete these tasks could result in material errors which may not be discovered in a timely fashion and potentially become financially burdensome.

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.

Current Status:

Partially Implemented see 2018-009.

The District is continuing to work on improving their procedures for accurate reporting and requests to the proper granting agency.

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2018

SECTION IV - PRIOR YEAR FINDINGS (Continued)

00-2 Coding Federal Expenditures (Continued)

Current Status:

Partially implemented See Finding 2018-007

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, 2018

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)	\$ 87,776,698	
	b. Governmental Designated-Purpose Grants Fund	3,635,825	
	c. Pupil Athletic Fund (Special Revenue Funds)	1,518,677	
	d. Bond Redemption Fund	8,513,996	
	e. Food Service Fund	4,030,189	
	f. Charter Schools (Connect School only)	1,884,034	
	g. Capital Projects Funds	<u> -</u>	
	Total Fiscal Year Expenditures		\$ 107,359,419
2.	Deduct the Following Expenditures Included in Above Totals		
	a. Expenditures from Gifts/Foundations	206,567	
	b. Expenditures from Federal Revenue	7,509,804	
	c. Revenue Transfers	132,259	
	d. Expenditures from Designated Reserves	66,946	
	e. Expenditures from Proceeds of Damage Awards	67,086	
	f. Expenditures from the Sale of School Property	313,151	
	g. Other Sources, Additions, and Debt Proceeds	<u>26,016,276</u>	
	Total Fiscal Year Deductions		<u>34,312,089</u>
3.	Total Spending Subject to TABOR for FYE 6-30-2018		<u>\$ 73,047,330</u>
4.	Total Spending Subject to TABOR for FYE 6-30-2017		\$ 68,730,246
5.	Percentage Change in Denver/Boulder CPI	2.772 %	
6.	Percentage Change in Student Enrollment	<u>2.912 %</u>	
7.	Total Percentage Change	<u>5.684 %</u>	
8.	Change in Permitted Spending Based on Percentage Changes		<u>3,906,627</u>
9.	Maximum Spending Subject to TABOR for FYE 6-30-2018		<u>\$ 72,636,873</u>
10.	FYE 6-30-2018 Spending Over (Under) Allowable Amount		<u>\$ 410,457</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, 2018

<u>Charter School / Component Unit</u>	<u>Balance Per ADE</u>	<u>Not Included- Swallows Charter Interfund Transactions</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	\$ 2,555,326	\$ -	-	-	\$ 2,555,326
Revenues	6,266,085	263,461	27,600	1,418	6,558,564
Expenditures	6,144,816	263,461	27,600	(1)	6,435,876
Ending fund balance	2,676,595	-	-	1,419	2,678,014

The difference between the ADE reports and the governmental fund financial statements are due to the Swallows Charter Academy. The difference is \$1,418 and is due to the audited financial statements are different than the ADE amounts. ADE amounts are correct.

<u>General Fund</u>	21,600,360	-	-	1	21,600,361
<u>Govt. Designated Purpose Grants Fund</u>	3,608,721	-	-	1	3,608,722
<u>Pupil Activity Special Revenue Fund</u>	1,513,587	-	-	1	1,513,588
<u>Bond Redemption Fund</u>	8,513,995	-	-	1	8,513,996
<u>Pupil Activity Agency Fund</u>	2,049,229	-	-	(1)	2,049,228
<u>Revenues</u>					

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, 2018

	Balance Per <u>ADE</u>	<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	\$ 28,892,927	\$ -	\$ -	\$ -	\$ -	\$ (12,415,408)	\$ -	\$ -	\$ 16,477,519
Cash with fiscal agent	308,053	-	-	-	-	12,094,020	-	-	12,402,073
Investments, at fair value	-	-	-	-	-	321,388	-	-	321,388
Taxes receivable	1,575,992	-	-	-	-	(297,112)	-	-	1,278,880
Cash with treasurer	-	-	-	-	-	297,112	-	-	297,112
Due from other funds	3,131,121	-	-	-	-	-	(2,390,119)	-	741,002
Grants accounts receivable	12,961	-	-	-	-	19,074	-	-	32,035
Other receivables	120,976	-	-	-	-	(19,074)	-	-	101,902
Total assets	34,119,850	-	-	-	-	-	-	(2,390,119)	31,729,731
Due to other funds	4,489,711	-	-	-	-	(2,097,516)	-	(2,390,119)	2,076
Due to component unit	-	-	-	-	-	2,097,516	-	-	2,097,516
Accrued expenses & payroll deductions	6,772,188	-	-	-	-	-	-	-	6,772,189
Grants deferred revenue/uneamed revenue	887,006	-	-	-	-	(430,000)	-	-	457,006
Deferred inflow of resources	-	-	-	-	-	430,000	-	-	430,000
Total liabilities and deferred inflow	12,519,489	-	-	-	-	-	-	(2,390,119)	10,129,370
Restricted	12,402,073	-	-	2,115,662	-	-	-	-	14,517,735
Tabor 3% emergency reserve	2,108,200	-	-	(2,108,200)	-	-	-	-	-
Assigned	795,515	-	-	17,093	-	-	-	-	-
Unassigned	6,216,753	-	-	(24,555)	-	-	-	-	-
Total liabilities and fund balances	34,119,850	-	-	-	-	-	-	(2,390,119)	31,729,731
Debt Service Funds									
Cash and investments	12,968,507	-	-	-	-	(12,968,507)	-	-	-
Investments, at fair value	-	-	-	-	-	12,968,507	-	-	12,968,507
Taxes receivable	336,508	-	-	-	-	(30,557)	-	-	305,951
Cash with treasurer	-	-	-	-	-	30,557	-	-	30,557
Grants deferred revenue/uneamed revenue	125,000	-	-	-	-	(125,000)	-	-	-
Deferred inflow of resources	-	-	-	-	-	125,000	-	-	125,000
Assigned fund balance	539,860	-	-	(539,860)	-	-	-	-	-
Restricted fund balance	12,640,155	(1)	-	539,860	-	-	-	-	13,180,014
Food Service Special Revenue Fund									
Assigned fund balance	548,924	(1)	-	123,303	-	-	-	-	672,226
Unassigned fund balance	123,303	-	-	(123,303)	-	-	-	-	-

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, 2018

	Balance Per ADE	Rounding	Error on Swallows Audited Financial Statements	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	Due To/From Netted When Combining Swallows General and Internal Fund	Due To/From Netted When Combining General, Insurance and Preschool Funds	Balance per Governmental Fund Financial Statements
Bolded Balance Sheet Report									
Special Revenue Funds									
Cash	\$ 866,346	\$ -	\$ -	\$ -	\$ -	\$ (73,494)	\$ -	\$ -	\$ 792,852
Other investment accounts	-	-	-	-	-	73,494	-	-	73,494
Grants accounts receivable	986,036	(1)	-	-	-	-	-	-	986,035
Restricted fund balance	10,311	-	-	-	-	-	-	-	57,711
Tabor 3% emergency reserve	47,400	-	-	47,400	-	-	-	-	-
Unassigned fund balance	10,073	-	-	(47,400)	-	-	-	-	-
Assigned fund balance	499,710	-	-	(10,073)	-	-	-	-	-
Charter School / Component Unit				10,073	-	-	-	-	509,783
Cash	1,402,317	-	-	-	-	(190,949)	-	-	1,211,368
Restricted cash and investments	-	-	-	-	-	225,747	-	-	225,747
Cash with fiscal agent	34,795	3	-	-	-	(34,798)	-	-	-
Interfund receivable	2,226,135	-	1,418	-	-	-	(128,619)	-	2,098,934
Due from other funds	-	-	-	-	-	-	-	-	3,739
Other receivables	6,626	-	-	-	-	3,739	-	-	7,576
Total assets	6,933,510	-	1,418	-	-	950	-	-	6,807,259
Interfund payables	275,963	-	-	-	-	950	(128,619)	-	147,344
Other payables	3,601,151	-	-	-	-	-	(128,619)	-	127,460
Bonds payables	41,310	(1)	-	-	-	(3,473,691)	-	-	3,515,000
Accrued expenses & payroll deductions	338,491	-	-	-	-	3,473,691	-	-	339,441
Total Liabilities	4,256,915	(1)	-	-	-	950	(128,619)	-	4,129,245
Non-spendable fund balance	-	-	-	31,441	-	-	-	-	31,441
Net Position - Swallows Internal Fund	58,300	-	-	(94,135)	-	-	-	-	(94,135)
Tabor 3% emergency reserve	2,488,295	-	-	128,000	-	-	-	-	186,300
Unassigned fund balance	130,000	1	1,418	(2,488,295)	-	-	-	-	-
Assigned fund balance	2,676,595	1	1,418	2,422,989	-	-	-	-	2,554,408
Total fund balance			1,418						2,678,014

The accompanying notes are an integral part of this schedule.

**COLORADO SCHOOL DISTRICT AUDITOR'S ELECTRONIC
FINANCIAL DATA INTEGRITY CHECK FIGURES
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2018**

	<u>Balance Per CDE</u>	<u>Balance Per District</u>	<u>Variance</u>	<u>Explanation</u>
Warnings				
<u>Capital Construction Charter School</u>				
Grant Code: 3113				
Receipts	<u>222,975.16</u>	<u>223,488.32</u>	<u>(513.16)</u>	Variance is within Swallows Charter School
 <u>Smart Start Breakfast</u>				
Grant Code: 3164				
Receipts	<u>19,518.30</u>	<u>17,722.80</u>	<u>1,795.50</u>	Receivable at 6/30/2018
 <u>School Lunch Protection Program</u>				
Grant Code: 3169				
Receipts	<u>21,142.40</u>	<u>19,314.41</u>	<u>1,827.99</u>	Receivable at 6/30/2018
 <u>Migrant Education Grant</u>				
Grant Code: 4011				
Receipts	<u>622,384.00</u>	<u>689,564.00</u>	<u>(67,180.00)</u>	Receivable at 6/30/2017
 <u>IDEA: Part B: Special Education</u>				
Grant Code: 4027				
Receipts	<u>1,289,723.00</u>	<u>1,405,106.00</u>	<u>(115,383.00)</u>	Receivable at 6/30/2017 \$116,468 less private school portion \$1,085
 <u>Special Education Pre School Grant</u>				
Grant Code: 4173				
Receipts	<u>10,721.00</u>	<u>12,159.00</u>	<u>(1,438.00)</u>	Receivable at 6/30/2017
 <u>Title III</u>				
Grant Code: 4365				
Receipts	<u>20,781.00</u>	<u>15,281.00</u>	<u>5,500.00</u>	Receivable at 6/30/2018
 <u>Title II</u>				
Grant Code: 4367				
Receipts	<u>156,470.00</u>	<u>144,191.00</u>	<u>12,279.00</u>	Receivable at 6/30/2018
 <u>School Breakfast Program</u>				
Grant Code 4553				
Receipts	<u>766,978.92</u>	<u>698,141.76</u>	<u>68,837.16</u>	Receivable at 6/30/2018
 <u>School Lunch Program</u>				
Grant Code 4555				
Receipts	<u>1,695,361.89</u>	<u>1,547,323.15</u>	<u>148,038.74</u>	Receivable at 6/30/2018

The accompanying notes are an integral part of this schedule.