

cPa DIXON, WALLER & CO., INC.

HUERFANO SCHOOL

DISTRICT NUMBER RE-1

WALSENBURG, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2019

DIXON, WALLER & CO., INC.

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FINANCIAL STATEMENTS

JUNE 30, 2019

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**HUERFANO SCHOOL DISTRICT NUMBER RE-1
ROSTER OF SCHOOL OFFICIALS
June 30, 2019**

BOARD OF EDUCATION

Sherry Gomez	President
Gretchen Orr-Sporleder	Vice-President
Julia Marchant	Treasurer
Dorothy Martinez	Secretary
Jaye Sudar	Member
David Tesitor	Member
Eva Vigil	Member

SCHOOL OFFICIALS

Michael Moore	Superintendent
Erica Watts	Business Manager

FINANCIAL SECTION

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TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

INDEPENDENT AUDITOR'S REPORT

**Board of Education
Huerfano School
District Number RE-1
Walsenburg, Colorado 81089**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huerfano School District Number RE-1, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Huerfano School District Number RE-1, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and post employment benefits trend data on pages i through xiii and 45 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 Huerfano School District Number RE-1's basic financial statements. The combining and individual fund financial statements, other schedules, and state required schedules are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

The combining and individual fund financial statements, other schedules, and state required schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, other schedules, and state required schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Dwan, Walker & Co., P.C.

November 29, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HUERFANO SCHOOL DISTRICT RE-1
201 EAST FIFTH STREET
WALSENBURG, COLORADO 81089
(719) 738-1520 FAX (719)738-3148**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FY 2018-19**

This section of the Huerfano School District RE-1's annual financial report offers readers of the District's financial statements its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

Financial Highlights

- Revenues totaled \$7,415,798 for 2018-19 compared to \$7,093,190 the prior year. General revenues, primarily property taxes and state equalization payments, account for approximately \$5.489 million or 74 percent of all revenues. Program specific revenues for services, grants, and contributions totaled \$1,733,468 compared to \$1,071,957 the prior year.
- The District had \$6,911,390 in expenses related to governmental activities compared to \$10,593,462 the prior year. Program specific charges for services, grants and contributions totaling \$1,733,468 were offset against the expenses leaving \$5,177,922 to be funded by other general revenues related to governmental activities.
- The District's General Fund, which includes Fund 10/General Fund, and Fund 19/CPP, started the fiscal year with a fund balance of \$2,337,635. After revenues of \$6,080,257 and program expenditures and transfers totaling \$6,137,767 the ending fund balance at June 30, 2019 was \$2,280,125.
- The Capital Projects Fund had a beginning fund balance of \$491,029. Total revenues of \$8,030 were comprised of interest earned on investments. Other sources included a transfer from the general fund totaling \$150,000 and capital lease proceeds of \$45,196. Expenditures totaled \$111,280 for capital outlay, leaving an ending fund balance of \$582,975.
- The Bond Redemption Fund had a beginning fund balance of \$700,659. Revenues, primarily from property taxes, totaled \$442,618 of which \$409,350 was used to pay principal, interest, and fiscal charges related to the Series 2002 Bonds. The ending fund balance in the Bond Redemption Fund increased to \$733,927.
- Government Designated Purpose Grants accounted for \$437,033 of the revenue and expenditures related to governmental activities compared to \$394,673 the prior year.

- Non-major governmental funds include student activities with a beginning fund balance of \$42,315 and food services with a beginning fund balance of \$110,015. Revenues totaled \$445,231 including transfers from the general fund totaling \$125,000. After expenditures of \$616,817 the ending fund balances totaled \$32,124 for student activities and \$73,620 for food services.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to Huerfano School District RE-1's basic financial statements. The basic financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the District. The basic financial statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

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. Detailed in the following diagram are how the various parts of this annual report are arranged and related to one another.

Government-wide Statements

The government-wide statements are designed to provide readers a broad overview of the finances of Huerfano School District RE-1, in a manner similar to private-sector business.

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 Statement of Net Position presents information on all of the District's assets and liabilities, with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Huerfano School District RE-1 is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors such as the condition of school buildings and other facilities.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Included in governmental activities are most of the District's basic services such as regular and special education, transportation, maintenance and operations, food services and administration.

The basic district-wide financial statements can be found starting on page 3 of the audited financial statements.

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. Certain funds are required by law while other funds control and manage money for particular purposes (such as federal grants or student activity).

The District's services are included in governmental funds, which focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

Huerfano School District RE-1 maintains six governmental funds: General Fund including a sub-fund for the Colorado Preschool Program, Food Service, Government Designated Grants, Student Activity, Bond Redemption, and Capital Projects. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. Supplementary information includes budget-to-actual information for all government funds as required by State law. The basic governmental fund financial statements can be found starting on page 3 of the audited financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found starting on page 9.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information starting on page 45. This includes budget-to-actual information for all funds as dictated by State law.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

All financial activities of the District are reported on the accrual basis of accounting. This section explains the differences between the current and prior year's assets, liabilities, and changes in the net position. The table below provides a comparison of the District's net position as of June 30, 2019 to June 30, 2018.

Huerfano School District RE-1 Condensed Statement of Net Position

	6/30/2019 Governmental Activities	6/30/2018 Governmental Activities	Net Change
ASSETS			
Current & Other Assets	\$ 4,790,720	\$ 4,382,316	\$ 408,404
Capital Assets	\$ 11,079,267	\$ 11,270,327	\$ (191,060)
Total Assets	\$ 15,869,987	\$ 15,652,643	\$ 217,344
DEFERRED OUTFLOWS OF RESOURCES			
Bond Refunding	\$ 36,046	\$ 54,279	\$ (18,233)
Pension Cost - Subsequent Contributions	\$ -	\$ -	\$ -
Pension Cost - Investment Change	\$ 4,810,992	\$ 8,011,367	\$ (3,200,375)
Other Post Employment Benefits	\$ 89,893	\$ 54,135	\$ 35,758
Total Deferred Outflows of Resources	\$ 4,936,931	\$ 8,119,781	\$ (3,182,850)
Current Liabilities	\$ 1,357,545	\$ 922,039	\$ 435,506
Non-Current Liabilities	\$ 13,189,311	\$ 24,369,801	\$ (11,180,490)
Total Liabilities	\$ 14,546,856	\$ 25,291,840	\$ (10,744,984)
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Earnings	\$ 8,834,858	\$ 1,558,947	\$ 7,275,911
Other Post Employment Benefits	\$ 7,641	\$ 8,482	\$ (841)
Total Deferred Inflows of Resources	\$ 8,842,499	\$ 1,567,429	\$ 7,275,070
Net Position			
Net Investment in Capital Assets	\$ 9,559,267	\$ 9,400,327	\$ 158,940
Restricted For:			
TABOR	\$ 184,500	\$ 178,900	\$ 5,600
Preschool	\$ 21,103	\$ 21,685	\$ (582)
Debt	\$ 733,927	\$ 700,659	\$ 33,268
Food Service	\$ 66,186	\$ 110,015	\$ (43,829)
Unrestricted	\$ (13,147,420)	\$ (13,498,431)	\$ 351,011
Total Net Position	\$ (2,582,437)	\$ (3,086,845)	\$ 504,408

The Statement of Net Position reports all financial and capital resources. The statement presents assets and liabilities in order of relative liquidity. Liabilities reported as current include accounts payable, accrued salaries and benefits and amounts due on general obligation bonds within one year. The difference between the District's assets and liabilities is its net position.

Current Assets increased by \$408,404 primarily due to increase in cash balances at year end and an increase in taxes receivable. Capital Assets decreased by \$191,060 due to the net effect of capital asset additions offset by depreciation.

Total Liabilities decreased by \$10,744,984 primarily due to the changes in reporting Net Pension Obligation.

Net position increased \$504,408 primarily due to the decrease in pension expense recorded.

Changes in Net Assets

The District's Governmental Activities are reported on the accrual basis of accounting. Table 4 provides a summary of the changes in Net Position and comparison of revenues and expenditures from FY 2018-19 to FY 2017-18.

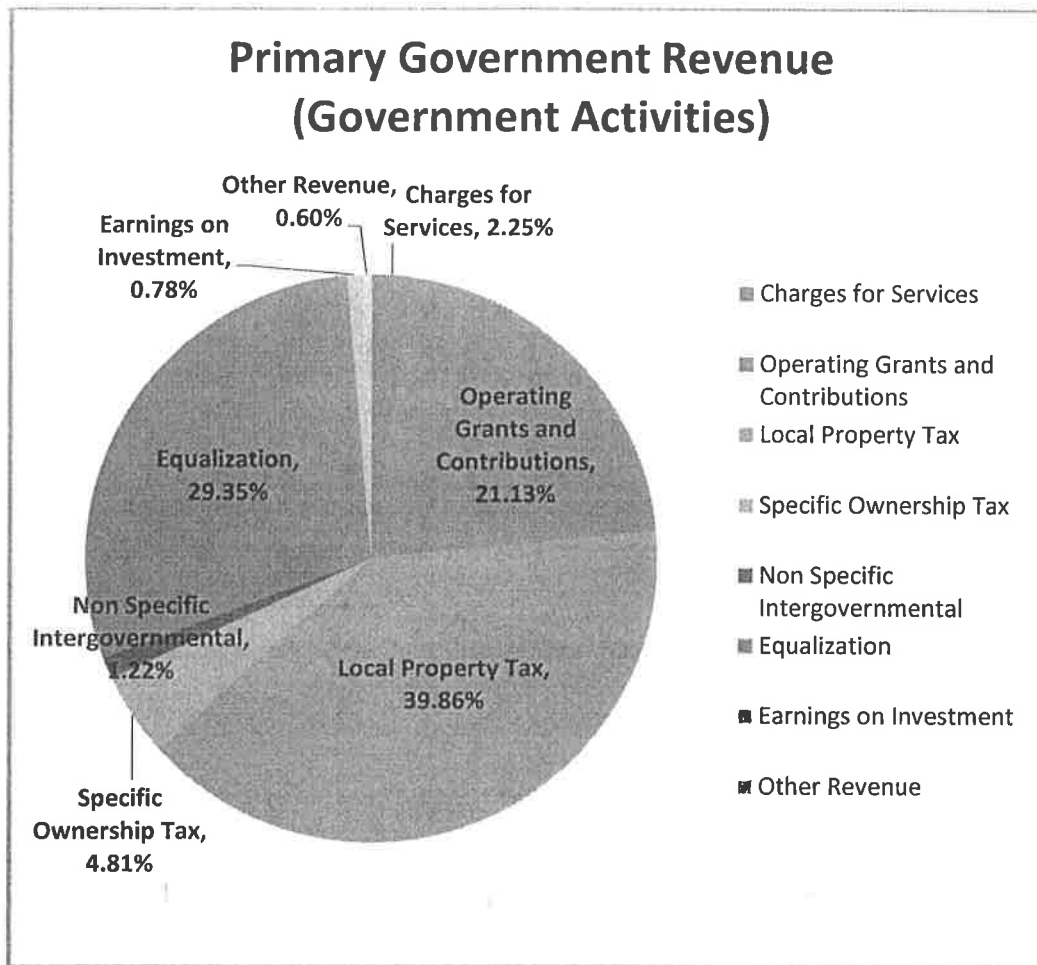
Huerfano School District RE-1 Condensed Statement of Changes in Net Position

	6/30/2019 Governmental Activities	6/30/2018 Governmental Activities	Net Change
Program Revenues •			
Charges for Services	\$ 166,724	\$ 190,399	\$ (23,675)
Operating Grants & Contributions	\$ 1,566,744	\$ 881,558	\$ 685,186
Capital Grants & Contributions	\$ -	\$ -	\$ -
General Revenues			
Property Taxes	\$ 2,956,141	\$ 2,953,035	\$ 3,106
Specific Ownership Taxes	\$ 356,839	\$ 335,497	\$ 21,342
Non Specific Intergovernmental	\$ 90,647	\$ 292,251	\$ (201,604)
School Finance Act (Equalization)	\$ 2,176,493	\$ 2,401,389	\$ (224,896)
Earnings on Investments	\$ 57,763	\$ 25,558	\$ 32,205
Other Revenue	\$ 44,447	\$ 13,503	\$ 30,944
Total General Revenues	\$ 5,682,330	\$ 6,021,233	\$ (338,903)
Total Revenues	\$ 7,415,798	\$ 7,093,190	\$ 322,608
Expenses			
Instruction	\$ 4,127,249	\$ 3,969,161	\$ 158,088
Student Support	\$ 166,957	\$ 165,826	\$ 1,131
Instructional Staff	\$ 76,109	\$ 163,560	\$ (87,451)
General Administration	\$ 211,063	\$ 216,276	\$ (5,213)
School Administration	\$ 526,226	\$ 433,402	\$ 92,824
Business Support	\$ 215,789	\$ 226,269	\$ (10,480)
Operations & Maintenance	\$ 698,454	\$ 642,813	\$ 55,641
Student Transportation	\$ 311,677	\$ 296,169	\$ 15,508
Central Support	\$ 394,432	\$ 332,343	\$ 62,089
Other Support	\$ 12,239	\$ -	\$ 12,239
Food Service	\$ 399,344	\$ 379,596	\$ 19,748
Community Services	\$ 1,922	\$ -	\$ 1,922
Interest on Long-Term Debt	\$ 63,306	\$ 72,349	\$ (9,043)
Capital Outlay	\$ 84,975	\$ 28,621	\$ 56,354
Pension Amortization	\$ (400,411)	\$ 3,615,346	\$ (4,015,757)
OPEB Expense	\$ 22,059	\$ 51,731	\$ (29,672)
Total Expenses	\$ 6,911,390	\$ 10,593,462	\$ (3,682,072)
Changes in Net Position	\$ 504,408	\$ (3,500,272)	\$ 4,004,680
Net Position, Beginning Restated	\$ (3,086,845)	\$ 413,427	\$ (3,500,272)
Prior Period Adjustment	\$ -	\$ -	\$ -
Net Position, Ending	\$ (2,582,437)	\$ (3,086,845)	\$ 504,408

Revenues increased overall by \$322,608 primarily due to the net increase in Operating Grants & Contributions and Mill Levy Override.

Expenses decreased by \$3,682,072 over the prior year primarily due to the decrease in amortization of deferred pension expenses.

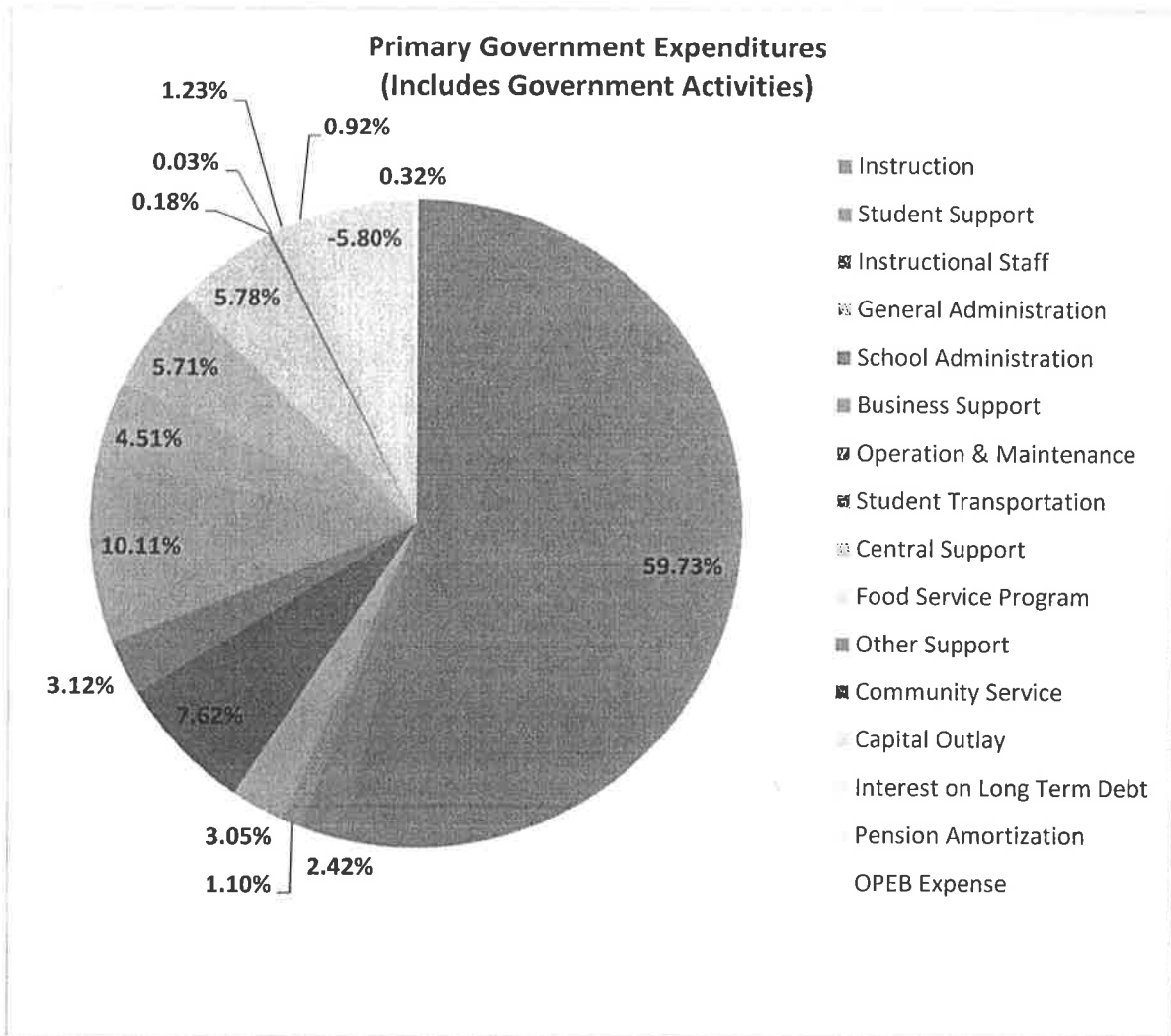
**Huerfano School District RE-1
Government-Wide
Total Revenues FY 2018-19**



**PRIMARY GOVERNMENT REVENUE
(Government Activities)**

Charges for Services	\$ 166,724	2.25%
Operating Grants and Contributions	\$ 1,566,744	21.13%
Local Property Tax	\$ 2,956,141	39.86%
Specific Ownership Tax	\$ 356,839	4.81%
Non Specific Intergovernmental	\$ 90,647	1.22%
Equalization	\$ 2,176,493	29.35%
Earnings on Investment	\$ 57,763	0.78%
Other Revenue	\$ 44,447	0.60%
	<u>\$ 7,415,798</u>	<u>100.00%</u>

**Huerfano School District RE-1
Government Wide
Total Expenditures FY 2018-19**



**Primary Government Expenditures
(Includes Government Activities)**

Instruction	\$ 4,127,249	59.72%
Student Support	\$ 166,957	2.42%
Instructional Staff	\$ 76,109	1.10%
General Administration	\$ 211,063	3.05%
School Administration	\$ 526,226	7.61%
Business Support	\$ 215,789	3.12%
Operation & Maintenance	\$ 698,454	10.11%
Student Transportation	\$ 311,677	4.51%
Central Support	\$ 394,432	5.71%
Food Service Program	\$ 399,344	5.78%
Other Support	\$ 12,239	0.18%
Community Service	\$ 1,922	0.03%
Capital Outlay	\$ 84,975	1.23%
Interest on Long Term Debt	\$ 63,306	0.92%
Pension Amortization	\$ (400,411)	-5.79%
OPEB Expense	\$ 22,059	0.32%
Total	\$ 6,911,390	100.00%

The primary source of operating revenue for school districts comes from the Public School Finance Act of 1994. Under this Act, the District received \$8,964 per funded in-school student compared to \$8,497 the prior year. The District's actual funded pupil count on October 1, 2018 was 517 compared to 525 the prior year. Statute provides for averaging with prior years for declining enrollment districts.

Total Program Funding from the School Finance Act comes from property taxes, specific ownership taxes, and state equalization. The District received \$4,634,475 under the School Finance Act compared to \$4,468,843 the prior year. The state share increased to 47%. The local share which includes property taxes and specific ownership taxes makes up the other 53% of funding from school finance.

The statement of activities provides the cost of program services and the related charges for services and grants offsetting those costs. The Net Cost of Governmental Activities schedule reflects each program's net cost (total cost less fees generated by the programs and intergovernmental aid provided for specific programs).

**Huerfano School District RE-1
Net Cost of Governmental Activities
Comparison from FY 2018-19 to 2017-18**

	FY 2018-19 Total Cost of Service	FY 2018-19 Service Fees Grants and Contributions	FY 2018-19 Net Cost Of Services	FY 2017-18 Total Cost of Service	FY 2017-18 Service Fees Grants and Contributions	FY 2017-18 Net Cost Of Services	Net Change
Governmental Activities							
Instruction	\$ 4,127,249	\$ 767,339	\$ 3,359,910	\$ 3,969,161	\$ 586,184	\$ 3,382,977	\$ (23,067)
Student Support	\$ 166,957	\$ 8,695	\$ 158,262	\$ 165,826	\$ -	\$ 165,826	\$ (7,564)
Instructional Staff	\$ 76,109	\$ 35,932	\$ 40,177	\$ 163,560	\$ 90,000	\$ 73,560	\$ (33,383)
General Administration	\$ 211,063	\$ 3,245	\$ 207,818	\$ 216,276	\$ -	\$ 216,276	\$ (8,458)
School Administration	\$ 526,226	\$ 14,203	\$ 512,023	\$ 433,402	\$ -	\$ 433,402	\$ 78,621
Business Support Operation & Maintenance	\$ 215,789	\$ 4,409	\$ 211,380	\$ 226,269	\$ -	\$ 226,269	\$ (14,889)
Student Transportation	\$ 698,454	\$ 32,813	\$ 665,641	\$ 642,813	\$ 25,000	\$ 617,813	\$ 47,828
Central Support	\$ 311,677	\$ 102,908	\$ 208,769	\$ 296,169	\$ 42,021	\$ 254,148	\$ (45,379)
Other Support	\$ 394,432	\$ 142,590	\$ 251,842	\$ 332,343	\$ -	\$ 332,343	\$ (80,501)
Food Service Program	\$ 12,239	\$ 10,000	\$ 2,239	\$ -	\$ -	\$ -	\$ 2,239
Community Service	\$ 399,344	\$ 329,732	\$ 69,612	\$ 379,596	\$ 328,752	\$ 50,844	\$ 18,768
Capital Outlay	\$ 1,922	\$ 1,922	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on Long Term Debt	\$ 84,975	\$ 279,680	\$ (194,705)	\$ 28,621	\$ -	\$ 28,621	\$ (223,326)
Pension Amortization	\$ 63,306	\$ -	\$ 63,306	\$ 72,349	\$ -	\$ 72,349	\$ (9,043)
OPEB Expense	\$ (400,411)	\$ -	\$ (400,411)	\$ 3,615,346	\$ -	\$ 3,615,346	\$ (4,015,757)
	\$ 22,059	\$ -	\$ 22,059	\$ 51,731	\$ -	\$ 51,731	\$ (29,672)
						\$ -	
Total Primary Government	<u>\$ 6,911,390</u>	<u>\$ 1,733,468</u>	<u>\$ 5,177,922</u>	<u>\$ 10,593,462</u>	<u>\$ 1,071,957</u>	<u>\$ 9,521,505</u>	<u>\$ (4,343,583)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds report is to provide information on near term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the District's financial requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

General Fund (Includes Fund 10/General Fund, Fund 19/CPP)

The General Fund is the major operating fund of the District, providing the majority of the resources for education and support programs. For fiscal year 2018-19 the beginning Fund Balance in the General Fund was \$2,337,635. Revenues in the General Fund totaled \$6,080,257 while expenditures totaled \$5,862,767 and transfers to other funds totaled \$275,000. The ending fund balance in the General Fund decreased by \$57,510 from current operations resulting in an ending fund balance of \$2,280,125 as of June 30, 2019 including \$184,500 reserved for TABOR in accordance with Colorado statute regarding emergency reserves.

The General Fund is solvent and remains in sound financial condition. The District continues to make budget adjustments as needed to ensure that expenditures do not exceed revenues in order to maintain an appropriate fund balance.

Government Designated Grants Fund/Special Revenue (Fund 22)

The Government Designated Grants Fund is used to record financial transactions for grants received for designated purposes funded by federal, state, or local governments. Special revenue funds are legally restricted to expenditures for specific purposes. Revenue in the Government Designated Grants Fund, which includes the Federal Consolidated Grants, totaled \$437,073. The District reported \$4,073 from local/intermediate sources and \$432,960 from federal sources including the following grants over \$50,000:

Title I, Part A
21st Century

Bond Redemption (Fund 31)

Revenues from a tax levy for the purpose of satisfying bonded indebtedness obligations, both principal and interest, are recorded in the Bond Redemption Fund, but are administered by a third-party custodian. The District's approved third-party custodian for the Bond Redemption Fund is UMB Bank. The 2018 bond mill levy was 4.657. Revenue, including property tax and specific ownership tax, in the Bond Redemption Fund totaled \$442,618. Bond principal and interest payments in the amount of \$409,350 were made in FY 2018-19. The Ending Fund Balance in the Bond Redemption Fund was \$733,927 at June 30, 2019 compared to \$700,659 the prior year.

Capital Projects Capital Reserve Fund (Fund 43)

The District uses a Capital Projects Fund to account for major projects that may take several years to complete and gifts and grants designated for the specific project are expected to be a major source of funding for that project.

The FY 2018-19 beginning Fund Balance in the Capital Projects Fund (43) was \$491,029. Revenues totaled \$203,226 including \$150,000 from transfers from the General Fund. Expenditures totaled \$111,280 of which was operations & maintenance and capital outlay. The Fund Balance as of June 30, 2019 was \$582,975.

Student Activity (Fund 23)

The Student Activity Fund is used to record financial transactions related to school-sponsored pupil intra-scholastic and inter-scholastic athletics and other related activities. These activities are supported in whole or in part by revenue from pupils, gate receipts, and other fund-raising activities. The beginning Fund Balance in the Student Activity Fund was \$42,315. Revenues in the Student Activity Fund totaled \$215,875 including \$100,000 from transfers from the General Fund. Expenditures totaled \$226,066. The Fund Balance in the Student Activity Fund as of June 30, 2019 was \$32,124.

Food Service (Fund 21)

The Food Service Fund is used to record financial transactions related to the hot lunch and breakfast programs. The beginning Fund Balance in the Food Service Fund was \$110,015. Revenues in the Food Service Fund totaled \$354,356 including federal meal revenue of \$302,301, state revenue of \$2,523, local revenue from meal sales totaling \$24,532 and transfers from General Fund of \$25,000. Expenditures totaled \$390,751 leaving an ending Fund Balance in the Food Service Fund as of June 30, 2019 of \$73,620.

BUDGET ANALYSIS

The Board of Education approved a budget in June 2018 based on enrollment projections for the 2018-19 school year. Statute permits a district to amend its budget through January 31st each year, which the Board of Education approved at its meeting in January 2019. Budget comparisons appear on pages 45 through 57. Following is a discussion of significant variances of actual results compared to final budgets.

General Fund revenues were over budget by \$759,690 or 15%. Expenditures were under budget by \$1,521,017 or 21% with variance spread to all functions.

Operating revenues from food sales were \$47,503 over budget. Expenditures were under budget by \$26,117. There was a General Fund transfer of \$25,000. The District budgeted for use of fund balance in the amount of \$46,250 decreasing the fund balance by \$36,395.

Grant revenues equal expenditures and both were greater than budget by \$16,271 primarily due to an increase in federal grant funds received.

Revenues in the Pupil Activities Special Revenue Fund were over budget by \$30,874 while expenditures were under budget by \$1,249. The subsidy from General Fund was \$100,000 equal to the amount budgeted. Overall, the fund balance decreased by \$10,191.

Revenues in the Bond Redemption Debt Service Fund were \$31,118 over budget. Spending was \$702,809 under budget primarily due to not spending appropriated reserves which will be used for future bond payments. Ending fund balance increased \$33,268.

In the Capital Projects Capital Reserve Fund, revenues including proceeds from a capital lease were over budget by \$7,080. Expenditures were \$530,699 below budget due in part to appropriated reserves that were not spent and the purchases of vehicles and facilities repairs being deferred.

CAPITAL ASSET AND LONG-TERM DEBT

Capital assets: The Huerfano School District RE-1 owns land with a carrying value of \$247,347 and building and improvements capitalized at \$18,745,966 at June 30, 2019. Equipment and vehicles totaled \$1,354,057. In addition, the Districts Food Service Fund has equipment with a carrying value of \$313,123. The net carrying value of capital assets after subtracting accumulated depreciation is \$11,079,267 from governmental activities.

Long-term debt: District voters approved a general obligations bond of \$5,755,000 in 2002. General Obligation Bonds, Series 2002, were issued on December 15, 2002, for the original amount of \$5,755,000. In August 2011, Huerfano School District RE-1 issued \$4,140,000 in general obligation bonds with an average interest rate of 3.26% to advance refund \$4,030,000 of outstanding 2002 bonds with interest rates ranging from 3.875% to 4.8%. The refunding proceeds totaling \$4,284,565 were deposited with an escrow agent to provide debt service payments on the 2002 Series Bonds as they come due. As a result, a portion of the 2002 bonds, \$4,030,000 of principal and \$1,205,859 of interest, are considered to be decreased and the liability is not reported in these financial statements. The June 30, 2019 balance for the 2011 general obligation bonds was \$1,520,000 after a principal payment of \$350,000. Long-term debt was increased with the purchase of computers & accessories in the amount \$69,675. The June 30, 2019 balance for the computers & accessories is \$45,196 after a principal payment of \$24,479.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- There continues to be a pattern of decline in the funded pupil count. Huerfano's enrollment has been steadily declining with a few increases in the past few years. In Districts with declining enrollment such as Huerfano RE-1, the state averages the previous 5 years to determine an average funded count. The District's average "Funded Pupil Count" for 2018-19 was 517.0 compared to 525.9 for 2017-18, 528.6 for 2016-17, 511.4 for 2015-16.
- In FY 2009-10 nearly 3% of funding from the School Finance Act was rescinded by the State in January 2010. Funding for FY 2010-11 was frozen at the prior year level regardless of any increase in the number of students or other changes in economic factors in the School Finance Act formula. When the State revenue was not adequate to fund the full amount for School Finance, it was backfilled with one time monies from Federal Jobs Education grants and additional ARRA funding. These funds were not available in FY 2011-12 resulting in additional cuts in funding. The base per pupil was held at the same level as FY 2011-12 for 2012-13. Per pupil funding for 2013-14 increased 2.8% with the negative factor going from 16.1% down to 15.4%. For 2014-15 per pupil funding increased by 5.8% and the negative factor decreased from 15.4% to 13%. For 2015-16 per pupil funding increased 2.9% with the negative factor decreasing from 13% to 12.1%. For 2016-17 per pupil funding increased 1.2% with no change to the negative factor. For 2017-18

per pupil funding increased by 3.8% and the negative factor decreased from 12.1% to 10.4%. For 2018-19 per pupil funding decreased 2% and the negative factor decreased from 10.4% to 8.7%.

- Deficit spending had been a chronic problem, but the District has addressed the issue and had a small annual operating surplus for five years. For 2016-17 revenue increased due to the approval of a mill levy override by the voters. This has allowed the District to increase reserves for the past three years. Districts should keep at least three to four months operating costs in reserves for unexpected economic changes in addition to required TABOR reserves. The District needs to continue to monitor its reserves and not rely on them to balance the budget.

CONTACTING THE FINANCIAL MANAGEMENT TEAM OF HUERFANO SCHOOL DISTRICT RE-1

This financial report is designed to provide the District's taxpayers, citizens, investor, and creditors with a general overview of the District's financial status and to demonstrate the District's accountability for the money it receives.

If there are questions regarding this report or additional information is needed, contact Superintendent Michael Moore or Business Manager Erica Mason at Huerfano School District RE-1, 201 East Fifth Street, Walsenburg, CO 81089.

BASIC FINANCIAL STATEMENTS

HUERFANO SCHOOL DISTRICT NUMBER RE-1
STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental</u>	<u>Total</u>
	<u>Activities</u>	
ASSETS		
Current Assets		
Cash	2,278,416	2,278,416
Investments	2,114,413	2,114,413
Property Taxes Receivable	242,556	242,556
Accounts Receivable	7,704	7,704
Accrued Revenue	103,484	103,484
Prepaid Expenses	36,613	36,613
Inventories	7,434	7,434
<u>Total Current Assets</u>	<u>4,790,620</u>	<u>4,790,620</u>
Capital Assets:		
Land	247,347	247,347
Construction in Progress	279,118	279,118
Depreciable Assets	20,413,146	20,413,146
Accumulated Depreciation	(9,860,344)	(9,860,344)
<u>Capital Assets Net of Depreciation</u>	<u>11,079,267</u>	<u>11,079,267</u>
TOTAL ASSETS	<u>15,869,887</u>	<u>15,869,887</u>
DEFERRED OUTFLOWS OF RESOURCES		
Bond Refunding	36,046	36,046
Pension	4,810,992	4,810,992
Other Post Employment Benefits	89,893	89,893
<u>Total Deferred Outflows of Resources</u>	<u>4,936,931</u>	<u>4,936,931</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	132,698	132,698
Accrued Salaries Payable	471,429	471,429
Accrued Interest	6,530	6,530
Unearned Grant Payments	347,144	347,144
Capital Lease – Current	21,993	21,993
General Obligation Bonds – Current	365,000	365,000
Bond Premium - Current	12,651	12,651
<u>Total Current Liabilities</u>	<u>1,357,445</u>	<u>1,357,445</u>
Noncurrent Liabilities:		
Capital Lease	23,203	23,203
General Obligation Bonds	1,155,000	1,155,000
Bond Premium	17,958	17,958
Compensated Absences	101,135	101,135
Net Pension Liability	11,326,334	11,326,334
Net Other Post Employment Benefits Liability	565,681	565,681
<u>Total Noncurrent Liabilities</u>	<u>13,189,311</u>	<u>13,189,311</u>
TOTAL LIABILITIES	<u>14,546,756</u>	<u>14,546,756</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	8,834,858	8,834,858
Other Post Employment Benefits	7,641	7,641
<u>Total Deferred Inflows of Resources</u>	<u>8,842,499</u>	<u>8,842,499</u>
NET POSITION		
Net Investment in Capital Assets	9,559,267	9,559,267
Restricted for:		
TABOR (Emergencies)	184,500	184,500
Preschool	21,103	21,103
Debt Service	733,927	733,927
Food Service	66,186	66,186
Unrestricted	(13,147,420)	(13,147,420)
TOTAL NET POSITION	<u>(2,582,437)</u>	<u>(2,582,437)</u>

The accompanying notes are an integral part of these financial statements.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	<u>Net (Expenses) Revenue and Changes</u>			
	<u>Program Revenues</u>		<u>in Net Position</u>	
	<u>Charges for</u>	<u>Operating</u>	<u>Primary Government</u>	
	<u>Services</u>	<u>Grants &</u>	<u>Governmental</u>	<u>Total</u>
<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Contributions</u>	<u>Activities</u>	
<u>Primary Government:</u>		<u>and</u>		
<u>Governmental Activities</u>		<u>Contributions</u>		
Instruction	4,127,249	651,464	(3,359,910)	(3,359,910)
Student Support	166,957	8,695	(158,262)	(158,262)
Instructional Staff	76,109	35,932	(40,177)	(40,177)
General Administration	211,063	3,245	(207,818)	(207,818)
School Administration	526,226	14,203	(512,023)	(512,023)
Business Support	215,789	4,409	(211,380)	(211,380)
Operation & Maintenance	698,454	6,496	(665,641)	(665,641)
Student Transportation	311,677	102,908	(208,769)	(208,769)
Central Support	394,432	142,590	(251,842)	(251,842)
Other Support	12,239	10,000	(2,239)	(2,239)
Food Services	399,344	305,200	(69,612)	(69,612)
Community Services	1,922	1,922	-	-
Capital Outlay	84,975	279,680	194,705	194,705
Interest Expense	63,306	-	(63,306)	(63,306)
Pension Changes	(400,411)	-	400,411	400,411
OPEB Changes	22,059	-	(22,059)	(22,059)
Total Governmental Activities	6,911,390	1,566,744	(5,177,922)	(5,177,922)
Total Primary Government	6,911,390	1,566,744	(5,177,922)	(5,177,922)
<u>General Revenues</u>				
Local Property Taxes			2,956,141	2,956,141
Small Attendance Center			90,647	90,647
Specific Ownership Taxes			356,839	356,839
School Finance Act			2,176,493	2,176,493
Earnings on Investments			57,763	57,763
Other			44,447	44,447
Total General Revenues			5,682,330	5,682,330
Change in Net Position			504,408	504,408
Net Position, Beginning			(3,086,845)	(3,086,845)
Net Position, Ending			(2,582,437)	(2,582,437)

The accompanying notes are an integral part of these financial statements.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>General</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Bond Redemption Debt Service Fund</u>	<u>Grants Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash	1,299,981	158,574	712,590	41,338	65,933	2,278,416
Investments	1,690,012	424,401	-	-	-	2,114,413
Property Taxes Receivable	207,219	-	35,337	-	-	242,556
Due From Other Funds	63,584	-	-	2,960	20	66,564
Accrued Revenue	-	-	-	71,107	32,377	103,484
Accounts Receivable	7,704	-	-	-	-	7,704
Prepaid Expenditures	36,613	-	-	-	-	36,613
Inventories	-	-	-	-	7,434	7,434
Total Assets	<u>3,305,113</u>	<u>582,975</u>	<u>747,927</u>	<u>115,405</u>	<u>105,764</u>	<u>4,857,184</u>
<u>LIABILITIES:</u>						
Accounts Payable	131,980	-	-	718	-	132,698
Due To Other Funds	2,960	-	-	63,584	20	66,564
Unearned Grant Payments	340,917	-	-	6,227	-	347,144
Accrued Salaries Payable	<u>426,553</u>	<u>-</u>	<u>-</u>	<u>44,876</u>	<u>-</u>	<u>471,429</u>
Total Liabilities	<u>902,410</u>	<u>-</u>	<u>-</u>	<u>115,405</u>	<u>20</u>	<u>1,017,835</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Property Tax	<u>122,578</u>	<u>-</u>	<u>14,000</u>	<u>-</u>	<u>-</u>	<u>136,578</u>
<u>FUND BALANCES:</u>						
Nonspendable:						
Inventories	-	-	-	-	7,434	7,434
Prepaid Expenditures	36,613	-	-	-	-	36,613
Restricted for:						
TABOR (Emergencies)	184,500	-	-	-	-	184,500
Preschool	21,103	-	-	-	-	21,103
Debt Service	-	-	733,927	-	-	733,927
Food Service	-	-	-	-	66,186	66,186
Committed for:						
Capital Outlay	-	582,975	-	-	-	582,975
Assigned for:						
Pupil Activities	-	-	-	-	32,124	32,124
Unassigned	<u>2,037,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,037,909</u>
Total Fund Balances	<u>2,280,125</u>	<u>582,975</u>	<u>733,927</u>	<u>-</u>	<u>105,744</u>	<u>3,702,771</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>						
	<u>3,305,113</u>	<u>582,975</u>	<u>747,927</u>	<u>115,505</u>	<u>105,764</u>	<u>4,857,284</u>

The accompanying notes are an integral part of these financial statements.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
June 30, 2019**

<u>GOVERNMENTAL FUNDS TOTAL FUND BALANCE</u>	3,702,771
Deferred Property Tax Revenue – Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government-wide financial statements.	136,578
Capital Assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds.	20,939,611
Accumulated Depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.	(9,860,344)
Accrued interest payable is not considered current financial resources and, therefore, not reported in the governmental funds.	(6,530)
Long-term liabilities, including general obligation bonds are not due and payable in the current period and therefore are not reported in funds.	
Capital Lease	(45,196)
General Obligation Bonds	(1,520,000)
Unamortized Bond Premium	(30,609)
Loss on Bond Refunding	<u>36,046</u>
	(1,559,759)
Compensated absences are not reported as a liability in the funds.	(101,135)
Net pension and other post employment benefits liabilities, along with associated deferred flow, are not recorded at the fund level:	
Net Pension Liability	(11,326,334)
Net Other Post Employment Benefits Liability	(565,681)
Deferred Outflows	4,900,885
Deferred Inflows	<u>(8,842,499)</u>
<u>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</u>	<u>(2,582,437)</u>

The accompanying notes are an integral part of these financial statements.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	<u>General</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Bond Redemption Debt Service</u>	<u>Grants Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Taxes	2,875,989	-	434,362	-	-	3,310,351
Intergovernmental	3,093,867	-	-	432,960	304,824	3,831,651
Interest	41,477	8,030	8,256	-	-	57,763
Other	68,924	-	-	4,073	140,407	213,404
Total Revenues	<u>6,080,257</u>	<u>8,030</u>	<u>442,618</u>	<u>437,033</u>	<u>445,231</u>	<u>7,413,169</u>
EXPENDITURES						
Current:						
Instruction	3,091,947	-	-	351,287	226,066	3,669,300
Student Support	166,707	-	-	250	-	166,957
Instructional Staff	44,202	-	-	31,907	-	76,109
General Administration	206,780	-	-	-	-	206,780
School Administration	522,801	-	-	3,425	-	526,226
Business Services	215,789	-	-	-	-	215,789
Operations & Maintenance	679,281	19,173	-	-	-	698,454
Student Transportation	297,337	-	-	-	-	297,337
Central Support	346,566	-	-	47,866	-	394,432
Other Support	291,357	-	-	-	-	291,357
Food Services	-	-	-	376	390,751	391,127
Community Services	-	-	-	1,922	-	1,922
Capital Outlay	-	92,107	-	-	-	92,107
Debt Service	-	-	409,350	-	-	409,350
Total Expenditures	<u>5,862,767</u>	<u>111,280</u>	<u>409,350</u>	<u>437,033</u>	<u>616,817</u>	<u>7,437,247</u>
Excess of Revenues Over (Under) Expenditures	<u>217,490</u>	<u>(103,250)</u>	<u>33,268</u>	<u>-</u>	<u>(171,586)</u>	<u>(24,078)</u>
Other Financing Sources (Uses)						
Capital Lease Proceeds	-	45,196	-	-	-	45,196
Operating Transfers In (Out)	(275,000)	150,000	-	-	125,000	-
Total Other Financing Sources (Uses)	<u>(275,000)</u>	<u>195,196</u>	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>45,196</u>
Net Changes in Fund Balances	(57,510)	91,946	33,268	-	(46,586)	21,118
FUND BALANCES, Beginning	<u>2,337,635</u>	<u>491,029</u>	<u>700,659</u>	<u>-</u>	<u>152,330</u>	<u>3,681,653</u>
FUND BALANCES, Ending	<u>2,280,125</u>	<u>582,975</u>	<u>733,927</u>	<u>-</u>	<u>105,744</u>	<u>3,702,771</u>

The accompanying notes are an integral part of these financial statements.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

<u>GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES</u>		21,118
Deferred Property Tax Revenue – Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government-wide financial statements.		136,578
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 of capital outlay reported as an expenditure in the governmental funds functions.		286,250
Compensated absences do not use current financial resources and are not reported on the governmental fund financial statements but are recognized on the government-wide financial statements.		(7,479)
Governmental funds report capital outlay 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.		(477,310)
Deferred Property Taxes of the prior year – Property taxes earned but deferred in the prior year and received in the current year are recognized in the prior year net position on the statement of activities		(133,949)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Capital Lease Proceeds	(45,196)	
Repayment of Debt Principal	350,000	
Interest Expense	<u>(3,956)</u>	300,848
The increase in net pension and other post employment benefits liabilities, along with the changes and amortizations of deferred flows associated with those liabilities, are not recorded at the fund level:		
Pension Cost	400,411	
Other Post Employment Benefits Cost	<u>(22,059)</u>	<u>378,352</u>
<u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u>		<u>504,408</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Huerfano School District Number RE-1 of Huerfano County was organized by a vote of qualified electorate on April 14, 1959, under the provisions of the Colorado School Organization Act of 1957. The District operates under an elected Board of Education with seven members and provides educational services to approximately 500 students.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Huerfano School District Number RE-1. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

A. Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by Statements No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This District is not included in any other governmental "reporting entity" as defined in GASB No. 14 and does not include any other component unit as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basic financial statements present the District (the primary government) and its component units.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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

B. Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. 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.

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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds (General Fund, Capital Reserve-Capital Projects Fund and Bond Redemption Debt Service) and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 the 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 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. With this measurement focus, operating statements present increases and decreases in net current assets and unassigned fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as program revenues included 1) charges to customers or applicants for goods, services or privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Property and automotive ownership taxes are reported as receivables and deferred inflows 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 is 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 accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

The proprietary fund types are 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 statement of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net 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 the District's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the 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.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred flows, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

- **Major Governmental Funds**
 1. **General Fund** – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.
 2. **Capital Reserve-Capital Projects Fund** – is used to account for the acquisition of sites, buildings, equipment and vehicles.
 3. **Bond Redemption Fund** – is used to account for the debt service payments of the District.
 4. **Grants Special Revenue Fund** – is used to account for receipts that are legally restricted to expenditures for specified purposes.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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

E. Cash and Investments

Cash represents amounts on deposit with financial institutions or held by the District. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

F. Receivables

Property taxes levied in 2018 but uncollected in 2019 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2019 are recorded as deferred inflows in the fund financial statements, and are presented net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

G. Inventories

Materials and supplies inventories are stated at cost. Inventories recorded in the Food Services Fund consist of purchased and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt.

The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed.

H. Capital Assets

Capital assets, which include property, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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

H. Capital Assets (Continued)

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets in governmental funds. However, the District does capitalize interest on the construction of capital assets in business-type activities.

The monetary threshold for capitalization of assets is \$5,000 for governmental funds and \$500 for proprietary funds. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-35 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition and any remaining depreciation is recorded in the year of disposition.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. The District records long-term debt of governmental funds at the face value. The District's general obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund. Capital leases are serviced from property taxes and other revenues of the General Fund and the Capital Reserve Capital Projects Fund. The long-term accumulated unpaid accrued sick leave is serviced from property taxes and other revenues by the respective fund type from future appropriations.

J. Constitutional Amendment

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations, which apply to the State of Colorado and local governments. It requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any entity.

On November 5, 1996 the registered voters approved a ballot resolution authorizing Huerfano School District Number RE-1 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased or any new tax be imposed.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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

J. Constitutional Amendment (Continued)

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2019 the District reserved \$184,500 for this purpose.

Spending and revenue limits are determined based on the prior fiscal year's spending adjusted for inflation in the prior calendar year plus annual increases in funded student enrollment. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions.

K. Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2018 property tax calendar for Huerfano County was as follows:

Levy Date	December 22, 2018
Lien Date	January 1, 2019
Tax Bills Mailed	January 1, 2019
First Installment Due	February 28, 2019
Second Installment Due	June 15, 2019
If Paid in Full, Due	April 30, 2019

L. Accumulated Leave

The Board shall provide sick leave for all regular full-time and part-time employees of the District in direct relation to the full time equivalency of the employee (e.g. a full-time employee shall receive 100% of the sick leave provided for full-time employees whereas a "3/4 time" employee shall receive 75% of sick leave benefits provided for full-time employees). Those part-time employees who work the same number of days as full time employees, but only work as a reduced day, such as a four hour day; shall receive the same number of days of paid sick leave as the full time employees; however the pay for such days shall equal the per diem then being received by the part-time employee. Substitute employees such as substitute teachers and temporary staff are not eligible for any sick leave benefits.

Compensated absences are reported as non-current liabilities in the government-wide financial statements. As of June 30, 2019, the District has recorded an estimated liability of \$101,135 relating to accrued sick leave payable and accrued vacation.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

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

L. Accumulated Leave (Continued)

A summary of changes in compensated absences is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
Accumulated Leave	<u>93,656</u>	<u>7,479</u>	<u> -</u>	<u>101,135</u>

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Interest Expense

All interest expense has been reported as unallocated in the Government-wide financial statements.

O. GASB Statement No. 54

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the District's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. GASB Statement No. 54 (Continued)

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The District's Committed Fund Balance is fund balance reporting required by the School Board, either because of a School Board Policy in the School Board Policy Manual, or because of motions that passed at School Board meetings.

Assigned Fund Balance Policy:

The District's Assigned Fund Balance is fund balance reporting occurring by School Board Administration authority, under the direction of the Chief Business Officer.

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

Fund Balance Classification by Fund:

	<u>General Fund</u>	<u>Capital Projects Capital Reserve Fund</u>	<u>Special Revenue Fund Grants Fund</u>	<u>Bond Redemption Debt Service Fund</u>	<u>Special Revenue Student Activities Fund</u>	<u>Special Revenue Food Services Fund</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>							
Inventories	-	-	-	-	-	7,434	7,434
Prepaid							
Expenditures	36,613	-	-	-	-	-	36,613
<u>Restricted:</u>							
Emergencies	184,500	-	-	-	-	-	184,500
Preschool	21,103	-	-	-	-	-	21,103
Debt Service	-	-	-	733,927	-	-	733,927
Food Service	-	-	-	-	-	66,186	66,186
<u>Committed:</u>							
Capital Outlay	-	582,975	-	-	-	-	582,975
<u>Assigned:</u>							
Pupil Activities	-	-	-	-	32,124	-	32,124
<u>Unassigned:</u>							
	<u>2,037,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,037,909</u>
<u>Total Fund</u>							
Balances	<u>2,280,125</u>	<u>582,975</u>	<u>-</u>	<u>733,927</u>	<u>32,124</u>	<u>73,620</u>	<u>3,702,771</u>

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

P. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position and the balance sheet will sometimes report a separate section for 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 (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and 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.

NOTE 2 **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 government 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 government fund statements during the consolidation of governmental activities.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**
(Continued)

	Items Eliminated		
	Due From Other Funds	Due To Other Funds	Transfers In (Out)
General Fund	63,584	2,960	(275,000)
Grants - Special Revenue Fund	2,960	63,584	-
Bond Redemption – Debt Service Fund	-	-	-
Student Activity – Special Revenue Fund	20	-	100,000
Capital Reserve– Capital Projects Fund	-	-	150,000
Food Service – Special Revenue Fund	-	20	25,000
<u>Totals</u>	<u>66,564</u>	<u>66,564</u>	<u>-</u>

NOTE 3 **BUDGETARY INFORMATION**

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of Education in accordance with Colorado School Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Business Manager submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration should be employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 3 **BUDGETARY INFORMATION (Continued)**

6. Budgets for the General, Special Revenue, Debt Service and Capital Projects are adopted on a basis consistent with generally accepted accounting principles (GAAP).

All appropriations lapse at the end of each fiscal year. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent of Schools and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

NOTE 4 **CASH AND INVESTMENTS**

Deposits

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

At June 30, 2019, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC	250,000	250,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	1,285,786	1,337,018
Cash on Hand	400	-
Cash Equivalents	664,203	664,203
Cash with County Treasurer	<u>78,027</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>2,278,416</u>	<u>2,251,221</u>

As presented above, deposits with a bank balance of \$1,337,018 and a carrying balance of \$1,285,786 as of June 30, 2019 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 **CASH AND INVESTMENTS (Continued)**

Investments

At June 30, 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Credit Risk Rating</u>
COLO TRUST Plus	Under 60 Day Average	<u>2,114,413</u>	AAAm

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

Credit Risk – State Law limits the type of investments allowable. The ratings by Standard & Poor for each investment are disclosed above.

Concentration of Credit Risk – the District has no policy restricting the amount that can be invested in any issuer.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has no recurring fair value measurements as of June 30, 2019:

- **COLOTRUST** – Investments in this external investment pool are reported at \$1 net asset value per share and are not subject to fair value measurement. The investment is reported at cost.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
<u>Non-Depreciable Assets:</u>				
Land	247,347	-	-	247,347
Construction in Progress	-	<u>279,118</u>	-	<u>279,118</u>
<u>Total Non-Depreciable Assets</u>	<u>247,347</u>	<u>279,118</u>	-	<u>526,465</u>
<u>Depreciable Assets:</u>				
Buildings & Improvements	18,745,966	-	-	18,745,966
Equipment & Vehicles	1,346,925	7,132	-	1,354,057
Food Service	<u>313,123</u>	-	-	<u>313,123</u>
<u>Total Depreciable Assets</u>	<u>20,406,014</u>	<u>7,132</u>	-	<u>20,413,146</u>
<u>Less Accumulated</u>				
<u>Depreciation for:</u>				
Building & Improvements	7,782,754	449,263	-	8,232,017
Equipment & Vehicles	1,316,528	19,830	-	1,336,358
Food Services	<u>283,752</u>	<u>8,217</u>	-	<u>291,969</u>
<u>Total Accumulated</u>				
<u>Depreciation</u>	<u>9,383,034</u>	<u>477,310</u>	-	<u>9,860,344</u>
Governmental Activities				
<u>Capital Assets, Net</u>	<u>11,270,327</u>	<u>(191,060)</u>	-	<u>11,079,267</u>

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

<u>Governmental Activities:</u>	
Instruction	450,470
General Administration	4,283
Operation & Maintenance	-
Transportation	14,340
Food Service	<u>8,217</u>
<u>Total Depreciation Governmental Activities</u>	<u>477,310</u>

HUERFANO SCHOOL DISTRICT NUMBER RE-1
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 6 **INTERFUND**

RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>	<u>Repayment Period</u>
General	63,584	2,960	Current Operations	Within 1 Year
Special Revenue:				
Food Services	-	20	Current Operations	Within 1 Year
Student Activity	20	-	Current Operations	Within 1 Year
Grants	<u>2,960</u>	<u>63,584</u>	Current Operations	Within 1 Year
	<u>66,564</u>	<u>66,564</u>		

TRANSFERS

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
General	-	275,000	Current Operations
Special Revenue:			
Student Activity	100,000	-	Current Operations
Food Service	25,000	-	Current Operations
Capital Projects:			
Capital Reserve	<u>150,000</u>	-	Current Operations
	<u>275,000</u>	<u>275,000</u>	

NOTE 7 **GENERAL OBLIGATION BONDS PAYABLE**

General Obligation Refunding Series 2011

On August 23, 2011 the District issued \$4,140,000 in General Obligation Refunding Bonds with an average interest rate of 3.26% to advance refund \$4,030,000 outstanding 2002 General Obligation Bonds bearing interest rates ranging from 3.875% to 4.800%. Refunding proceeds of \$4,284,565 were deposited with an escrow agent to provide debt service payments of \$4,030,000 in principal and \$1,205,862 in interest on the 2002 Series Bonds. As a result, that portion of 2002 Bonds is considered to be defeased and the liability for the issue has been removed from the financial statements. The defeased debt balance at June 30, 2019 was \$1,570,000.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 **GENERAL OBLIGATION BONDS PAYABLE (Continued)**

General Obligation Refunding Series 2011 (Continued)

Payments to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	365,000	47,925	412,925
2021	375,000	36,825	411,825
2022	390,000	23,400	413,400
2023	<u>390,000</u>	<u>7,800</u>	<u>397,800</u>
Total	<u>1,520,000</u>	<u>115,950</u>	<u>1,635,950</u>

The following is a summary of the changes in General Obligation Bonds:

<u>General Obligation Bonds:</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Series 2011	<u>1,870,000</u>	<u>-</u>	<u>350,000</u>	<u>1,520,000</u>	<u>365,000</u>

NOTE 8 **CAPITAL LEASES PAYABLE**

A summary of changes in Capital Leases Payable are as follows:

<u>General Governmental:</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Technology Equipment	<u>-</u>	<u>69,675</u>	<u>24,479</u>	<u>45,196</u>	<u>21,993</u>

During fiscal year 2019, the District entered into a capital lease to purchase technology equipment. Notwithstanding the fact that the District may elect not to renew the agreement in any year, it is the present intention of the District that the agreement will be renewed annually until full rights to the building are acquired. The annual interest rate is 5.5% with annual payments of \$24,479. The balance due as of June 30, 2019 was \$45,196. Annual debt service requirements to maturity for the capital lease are as follows:

	<u>Fiscal Year</u>	<u>Annual Payment</u>	<u>Principal</u>	<u>Interest</u>
	2020	24,479	21,993	2,486
	2021	<u>24,479</u>	<u>23,203</u>	<u>1,276</u>
Total Minimum Payments		48,958	<u>45,196</u>	<u>3,762</u>
Less Amount Representing Interest			<u>(3,762)</u>	
Net Present Value of Future Minimum Payments			<u>45,196</u>	

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 **PENSION PLAN**

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. Huerfano School District Number RE-1 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/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.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019)
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases 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.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 **PENSION PLAN (Continued)**

General Information about the Pension Plan

Plan description. Eligible employees of the Huerfano School District Number RE-1 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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2018. 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 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 life expectancy and other actuarial factors.**

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

- **Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.**
- **\$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.**

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

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 9 PENSION PLAN (Continued)

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 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 the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 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. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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

Contribution provisions as of June 30, 2019. Eligible employees, Huerfano School District Number RE-1 and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below.

	July 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
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 the 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	5.50%	5.50%
Total employer contribution rate to the SCHDTF	19.13%	19.13%

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 9 PENSION PLAN (Continued)

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Huerfano School District Number RE-1 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Huerfano School District Number RE-1 were \$681,666 for the year ended June 30, 2019.

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The Huerfano School District Number RE-1 proportion of the net pension liability was based on Huerfano School District Number RE-1 contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the Huerfano School District Number RE-1 reported a liability of \$11,326,334 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the Huerfano School District Number RE-1 as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with Huerfano School District Number RE-1 were as follows:

Huerfano School District Number RE-1 proportionate share of the net pension liability	\$11,326,334
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Huerfano School District Number RE-1	\$ 1,548,719
Total	\$12,875,053

At December 31, 2018, the Huerfano School District Number RE-1 proportion was 0.0640 percent, which was a decrease of 0.0047 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Huerfano School District Number RE-1 recognized pension income of \$400,411 and revenue of \$91,983 for support from the State as a nonemployer contributing entity. At June 30, 2019, the Huerfano School District Number RE-1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 **PENSION PLAN (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	384,202	-
Changes of assumptions or other inputs	2,114,110	(7,043,762)
Net difference between projected and actual earnings on pension plan investments	1,534,106	(916,750)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	428,308	(874,346)
Contributions subsequent to the measurement date	350,266	N/A
Total	4,810,992	(8,834,858)

\$350,266 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, 2020. 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 June 30,	
2020	(496,469)
2021	(2,474,708)
2022	(1,740,611)
2023	337,656
2024	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 **PENSION PLAN (Continued)**

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount Rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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 the November 18, 2016, Board meeting.

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

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 9 **PENSION PLAN (Continued)**

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

Discount rate. The discount rate used to measure the total pension 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:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 9 **PENSION PLAN (Continued)**

- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

Sensitivity of the Huerfano School District Number RE-1 proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	14,399,497	11,326,334	8,747,433

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

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 **PENSION PLAN (Continued)**

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description – Employees of the Huerfano School District Number RE-1 that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an 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 obtained 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, employer contributions and investment earnings. For the year ended June 30, 2019, program members contributed \$12,413.

NOTE 10 **OTHER POST EMPLOYMENT BENEFITS**

Defined Benefit Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB. Huerfano School District Number RE-1 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 Huerfano School District Number RE-1 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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 10 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

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. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

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 or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2019

NOTE 10

OTHER POST EMPLOYMENT BENEFITS (Continued)

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees 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 subsidy, in each case, is for retirees 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 retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions. Pursuant to Title 24, Article 51, Section 208(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 Huerfano School District Number RE-1 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Huerfano School District Number RE-1 were \$36,346 for the year ended June 30, 2019.

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

At June 30, 2019, the Huerfano School District Number RE-1 reported a liability of \$565,681 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The Huerfano School District Number RE-1 proportion of the net OPEB liability was based on Huerfano School District Number RE-1 contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the Huerfano School District Number RE-1 proportion was 0.0416 percent, which was an increase of 0.0026 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Huerfano School District Number RE-1 recognized OPEB expense of \$22,059. At June 30, 2019, the Huerfano School District Number RE-1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 10 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	2,053	(861)
Changes of assumptions or other inputs	3,968	-
Net difference between projected and actual earnings on OPEB plan investments	10,033	(6,780)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	55,163	-
Contributions subsequent to the measurement date	18,676	N/A
Total	89,893	(7,641)

\$18,676 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, 2020. 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 June 30,	
2020	13,557
2021	13,557
2022	13,557
2023	15,818
2024	6,838
Thereafter	249

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (Continued)

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

The actuarial assumptions used in the December 31, 2017, 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 discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$736	\$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
United Healthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
United Healthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (Continued)

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, 2017, 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
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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 State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 10 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

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 health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- **Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.**
- **The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.**

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

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

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

HUERFANO SCHOOL DISTRICT NUMBER RE-1
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 10 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
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 Huerfano School District Number RE-1 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:

	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	550,061	565,681	583,648

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, 2018, measurement date.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 10 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- 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 middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 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 Huerfano School District Number RE-1 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	632,948	565,681	508,175

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019**

NOTE 11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 12 COLORADO SCHOOL DISTRICT SELF INSURANCE POOL

The District belongs to the Colorado School District's Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, Workers' Compensation and other coverage. The Board of Directors is composed of eight persons; seven of whom are appointed by the Board of Directors of CASB and the Executive Director of CASB. The Pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the Aggregate Pool claims, the cost of Administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as Expenditures in the Insurance Reserve Fund.

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2019.

An audited summary of the Colorado School District's Pool financial information at June 30, 2018 and for the year then ended (latest information available) follows:

Total Assets	<u>44,237,852</u>
Total Liabilities	<u>16,614,537</u>
Total Equity	<u>27,623,315</u>
Revenue	15,844,221
Underwriting Expenses	<u>19,487,647</u>
Underwriting Gain (Loss)	(3,643,426)
Net Investment Income	517,310
Other Income	-
Net Income (Loss) Before Dividend	<u>(3,126,116)</u>
Dividend	-
Net Income	<u>(3,126,116)</u>
Change in Non Admitted Assets	<u>130,742</u>
Capital Contributions from Members	-
Unassigned Surplus	<u>27,623,315</u>

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 13 LITIGATION

None.

NOTE 14 SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

NOTE 15 JOINT VENTURES

South-Central Board of Cooperative Educational Services

Not reflected in the accompanying financial statements is the District's participation in the South-Central Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per District.

The District has one member on the Board. The Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is not determinable at June 30, 2019. The joint venture summary unaudited financial information as of June 30, 2018 is as follows:

Total Assets & Deferred Outflows	<u>7,314,560</u>
Current Liabilities & Deferred Inflows	16,935,813
Net Position	<u>(9,621,253)</u>
Total Liabilities and Net Position	<u>7,314,560</u>
Total Revenues	4,368,759
Total Expenses	<u>6,918,960</u>
Change in Net Position	<u>(2,550,201)</u>

The BOCES has no long term debt.

The BOCES is not included as a component unit of the District as the financial responsibility is minimal, there is no financial interdependency, the District does not have the ability to significantly influence the operations of the BOCES and the District is not accountable for fiscal matters of the BOCES. The BOCES is audited annually and a copy of the audit report is filed with the Colorado State Auditor's Office.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 16 ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2019, are estimated to be \$471,429 and will be paid during the 2018-2019 fiscal year. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements.

NOTE 17 INVENTORIES

Food Service Fund inventories at June 30, 2019, consisted of purchased food, commodities and non-food amounting to \$5,052, \$1,391 and \$991 respectively. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISONS

PENSION TREND DATA

OTHER POST EMPLOYMENT BENEFIT TREND DATA

MAJOR GOVERNMENTAL FUNDS

General Fund

The General Fund accounts for all transactions of the District not accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed from property taxes and other general revenues. It is the most significant fund in relation to the District's overall operations.

Grants Special Revenue Fund accounts for revenues that are legally restricted to expenditures for specified purposes.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original & Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Property Taxes	2,209,170	2,501,642	292,472
Specific Ownership Taxes	247,194	356,839	109,645
Earnings on Investments	25,000	41,477	16,477
Delinquent Taxes & Interest	-	17,508	17,508
Rental Income	29,600	26,317	(3,283)
Local Grants BOCES	182,395	316,690	134,295
Other	71,265	42,607	(28,658)
<u>Total Local Sources</u>	<u>2,764,624</u>	<u>3,303,080</u>	<u>538,456</u>
<u>Intermediary Sources</u>			
Mineral Leases	1,840	1,840	-
Secure Rural Funding Authority	-	50,435	50,435
<u>Total Intermediary Sources</u>	<u>1,840</u>	<u>52,275</u>	<u>50,435</u>
<u>State Sources</u>			
Equalization	2,165,144	2,176,493	11,349
Vocational Education	-	15,416	15,416
Small Rural School Add'l Funding	194,999	194,999	-
State ELPA	1,854	3,619	1,765
ELPA	1,385	1,630	245
Small Attendance Center	95,000	90,647	(4,353)
Transportation	41,319	66,571	25,252
Read Act	17,530	8,639	(8,891)
Library Grant	5,146	3,500	(1,646)
At Risk Supplemental	-	6,091	6,091
School Security	-	27,341	27,341
Direct Distribution Payment	-	91,983	91,983
Colorado School Counselor Corporation	30,000	29,773	(227)
State Grants BOCES	-	8,200	8,200
<u>Total State Sources</u>	<u>2,552,377</u>	<u>2,724,902</u>	<u>172,525</u>
<u>TOTAL REVENUES</u>	<u>5,318,841</u>	<u>6,080,257</u>	<u>761,416</u>

The accompanying notes are an integral part of these financial statements.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Variance with</u>
	<u>Original & Final</u>	<u>Actual</u>	<u>Final Budget-</u>
			<u>Favorable</u>
			<u>(Unfavorable)</u>
<u>EXPENDITURES</u>			
<u>Instruction</u>	<u>2,903,247</u>	<u>3,091,947</u>	<u>(188,700)</u>
<u>Supporting Services:</u>			
Students	161,102	166,707	(5,605)
Instructional Staff	67,934	44,202	23,732
General Administration	204,436	206,780	(2,344)
School Administration	515,374	522,801	(7,427)
Business Services	226,197	215,789	10,408
Operations and Maintenance	733,799	679,281	54,518
Student Transportation	276,625	297,337	(20,712)
Central Support	378,445	346,566	31,879
Other Support	<u>156,200</u>	<u>291,357</u>	<u>(135,157)</u>
<u>Total Supporting Services</u>	<u>2,720,112</u>	<u>2,770,820</u>	<u>(50,708)</u>
 <u>Appropriated Reserves</u>	 <u>1,778,875</u>	 <u> -</u>	 <u>1,778,875</u>
 <u>TOTAL EXPENDITURES</u>	 <u>7,402,234</u>	 <u>5,862,767</u>	 <u>1,539,467</u>
 <u>REVENUES OVER (UNDER)</u>			
<u>EXPENDITURES</u>	<u>(2,083,393)</u>	<u>217,490</u>	
 <u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	<u>(275,000)</u>	<u>(275,000)</u>	<u> -</u>
<u>Total Other Financing Sources (Uses)</u>	<u>(275,000)</u>	<u>(275,000)</u>	<u> -</u>
 <u>Revenues and Other Financing Sources</u>			
<u>Over (Under) Expenditures and Other Uses</u>	<u>(2,358,393)</u>	<u>(57,510)</u>	
 <u>FUND BALANCE, Beginning</u>	 <u>2,358,393</u>	 <u>2,337,635</u>	
 <u>FUND BALANCE, Ending</u>	 <u> -</u>	 <u>2,280,125</u>	

The accompanying notes are an integral part of these financial statements.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)
GRANTS – SPECIAL REVENUE FUND
For the Year Ended June 30, 2019**

	<u>Budget Amounts</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original & Final</u>		
<u>REVENUES:</u>			
Local Sources	4,147	4,073	(74)
Federal Sources	449,157	432,960	(16,197)
<u>Total Revenues</u>	<u>453,304</u>	<u>437,033</u>	<u>(16,271)</u>
<u>EXPENDITURES:</u>			
<u>Instruction</u>	<u>385,994</u>	<u>351,287</u>	<u>34,707</u>
<u>Support Services:</u>			
Student Support	700	250	450
Instructional Staff	34,723	31,907	2,816
School Administration	-	3,425	(3,425)
Central Support Services	<u>27,740</u>	<u>47,866</u>	<u>(20,126)</u>
<u>Total Support Services Expenditures</u>	<u>63,163</u>	<u>83,448</u>	<u>(20,285)</u>
<u>Community Services</u>			
Education for Adults	<u>-</u>	<u>1,922</u>	<u>(1,922)</u>
<u>Food Services</u>			
Food Services	<u>4,147</u>	<u>376</u>	<u>3,771</u>
<u>Total Expenditures</u>	<u>453,304</u>	<u>437,033</u>	<u>16,271</u>
<u>REVENUES OVER (UNDER)</u>			
<u>EXPENDITURES</u>	-	-	
<u>FUND BALANCE, Beginning</u>	<u>-</u>	<u>-</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>-</u>	

The accompanying notes are an integral part of these financial statements.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
District's proportion of the net pension liability (asset)	0.0687%	0.0687%	0.0632%	0.0648%	0.0693%	0.0711%	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$11,326,334	\$22,203,031	\$18,809,938	\$9,903,932	\$9,393,782	\$9,064,806	-	-	-	-
District's covered payroll	\$3,563,334	\$3,402,518	\$2,936,339	\$2,825,918	\$2,901,147	\$2,746,805	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	653%	653%	641%	350%	324%	330%	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	57.01%	43.96%	43.13%	59.16%	62.80%	64.06%	-	-	-	-

The accompanying notes are an integral part of these financial statements.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION
For The Last 10 Fiscal Years (As Available)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contributions	\$ 681,666	\$ 642,463	\$ 537,922	\$ 501,438	\$ 496,814	\$ 448,202	\$ 439,287	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (681,666)</u>	<u>\$ (642,463)</u>	<u>\$ (537,922)</u>	<u>\$ (501,438)</u>	<u>\$ (489,859)</u>	<u>\$ (439,669)</u>	<u>\$ (422,197)</u>	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ 6,955	\$ 8,533	\$ 17,090	-	-	-
District's covered payroll	\$3,563,334	\$3,402,518	\$2,936,339	\$2,825,918	\$2,901,147	\$2,746,805	\$2,799,714	-	-	-
Contributions as a percentage of covered payroll	19.13%	18.88%	18.32%	17.74%	16.89%	16.01%	15.08%	-	-	-

The accompanying notes are an integral part of these financial statements.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY
For The Last 10 Fiscal Years (As Available)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
District's proportion of the net OPEB liability (asset)	0.0416%	0.0390%	0.0359%	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset)	\$565,681	\$507,023	\$465,585	-	-	-	-	-	-	-
District's covered payroll	\$3,563,334	\$3,402,518	\$2,936,339	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	15.88%	14.90%	15.86%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%	16.71%	-	-	-	-	-	-	-

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
For The Last 10 Fiscal Years (As Available)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contributions	\$36,346	\$34,706	\$29,951	-	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$(36,346)</u>	<u>\$(34,706)</u>	<u>\$(29,951)</u>	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	-	-	-	-	-	-	-
District's covered payroll	\$3,563,334	\$3,402,518	\$2,936,339	-	-	-	-	-	-	-
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	-	-	-	-	-	-	-

The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

Bond Redemption Debt Service Fund

Bond Redemption Debt Service Fund – Used to account for the accumulation of resources for, and the payment of, long-term general obligation debt principal, interest, and related costs.

Capital Reserve – Capital Projects Fund – This fund accounts for the acquisition of sites, buildings, equipment and vehicles.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Student Activity Fund – This fund accounts for the transactions and district expenditures for co-curricular areas of student organizations and clubs.

Food Service Fund – This fund accounts for all financial activities associated with the District's school breakfast and lunch programs.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)
BOND REDEMPTION DEBT SERVICE FUND
For the Year Ended June 30, 2019**

	<u>Budget Amounts</u> <u>Original & Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>REVENUES</u>			
Property Taxes	410,000	434,362	24,362
Specific Ownership Taxes	1,500	-	(1,500)
Interest Earnings	-	8,256	8,256
<u>Total Revenues</u>	<u>411,500</u>	<u>442,618</u>	<u>31,118</u>
<u>EXPENDITURES:</u>			
Debt Service:			
Principal Retirement	350,000	350,000	-
Interest and Fiscal Charges	59,350	59,350	-
Appropriated Reserves	<u>702,809</u>	-	<u>702,809</u>
<u>Total Expenditures</u>	<u>1,112,159</u>	<u>409,350</u>	<u>702,809</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	(700,659)	33,268	
<u>FUND BALANCES, Beginning</u>	<u>700,659</u>	<u>700,659</u>	
<u>FUND BALANCES, Ending</u>	<u>-</u>	<u>733,927</u>	

The accompanying notes are an integral part of these financial statements.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)
CAPITAL RESERVE – CAPITAL PROJECTS FUND
For the Year Ended June 30, 2019**

	<u>Budget Amounts</u> <u>Original & Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>REVENUES:</u>			
Earnings on Investments	-	8,030	8,030
Other Revenues	<u>950</u>	<u>-</u>	<u>(950)</u>
<u>Total Revenues</u>	<u>950</u>	<u>8,030</u>	<u>7,080</u>
<u>EXPENDITURES:</u>			
Equipment and Vehicles	252,000	92,107	159,893
Maintenance and Other	-	19,173	(19,173)
Debt Service:			
Appropriated Reserve	<u>389,979</u>	<u>-</u>	<u>389,979</u>
<u>Total Expenditures</u>	<u>641,979</u>	<u>111,280</u>	<u>530,699</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(641,029)</u>	<u>(103,250)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	150,000	150,000	-
Capital Lease Proceeds	<u>-</u>	<u>45,196</u>	<u>45,196</u>
<u>Total Other Financing Sources (Uses)</u>	<u>150,000</u>	<u>195,196</u>	<u>45,196</u>
<u>REVENUES OVER (UNDER) OTHER</u> <u>FINANCING SOURCES (USES)</u>	<u>(491,029)</u>	<u>91,946</u>	
<u>FUND BALANCE, Beginning</u>	<u>491,029</u>	<u>491,029</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>582,975</u>	

The accompanying notes are an integral part of these financial statements.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Student</u>	<u>Food</u>	<u>Non-Major</u>
	<u>Activity</u>	<u>Services</u>	<u>Governmental</u>
			<u>Funds</u>
<u>ASSETS</u>			
Cash	32,104	33,829	65,933
Investments	-	-	-
Accounts Receivable	-	-	-
Due From Other Governments	-	32,377	32,377
Due From Other Funds	20	-	20
Inventories	-	7,434	7,434
<u>Total Assets</u>	<u>32,124</u>	<u>73,640</u>	<u>105,764</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities:</u>			
Accounts Payable	-	-	-
Accrued Salaries	-	-	-
Due To Other Funds	-	20	20
Deferred Revenue	-	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>20</u>	<u>20</u>
<u>Fund Balances:</u>			
<u>Nonspendable:</u>			
Inventories	-	7,434	7,434
<u>Restricted:</u>			
Food Services	-	66,186	66,186
<u>Committed:</u>			
Capital Outlay	-	-	-
<u>Assigned:</u>			
Pupil Activity	32,124	-	32,124
Unassigned	-	-	-
<u>Total Fund Balance</u>	<u>32,124</u>	<u>73,620</u>	<u>105,744</u>
<u>TOTAL LIABILITIES & FUND</u>			
<u>BALANCES</u>			
	<u>32,124</u>	<u>73,640</u>	<u>105,764</u>

The accompanying notes are an integral part of these financial statements.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	<u>Special Revenue Funds</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Student Activity</u>	<u>Food Services</u>	
<u>REVENUES</u>			
Other Local Sources	115,875	24,532	140,407
State Sources	-	2,523	2,523
Federal Sources	-	<u>302,301</u>	<u>302,301</u>
<u>Total Revenues</u>	<u>115,875</u>	<u>329,356</u>	<u>445,231</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	226,066	-	226,066
Support Services:			
Instructional Staff	-	-	-
Capital Outlay	-	-	-
Food Service	-	390,751	390,751
Debt Service	-	-	-
<u>Total Expenditures</u>	<u>226,066</u>	<u>390,751</u>	<u>616,817</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(110,191)</u>	<u>(61,395)</u>	<u>(171,586)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds from Sale of Fixed Assets	-	-	-
Transfer In (Out)	<u>100,000</u>	<u>25,000</u>	<u>125,000</u>
<u>Total Other Financing Sources (Uses)</u>	<u>100,000</u>	<u>25,000</u>	<u>125,000</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(10,191)</u>	<u>(36,395)</u>	<u>(46,586)</u>
<u>FUND BALANCES, Beginning</u>	<u>42,315</u>	<u>110,015</u>	<u>152,330</u>
<u>FUND BALANCES, Ending</u>	<u>32,124</u>	<u>73,620</u>	<u>105,744</u>

The accompanying notes are an integral part of these financial statements.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)
PUPIL ACTIVITY – SPECIAL REVENUE FUND
For the Year Ended June 30, 2019**

	<u>Budget Amounts</u> <u>Original & Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>REVENUES:</u>			
Pupil Activity Revenues	62,000	87,545	25,545
Gate Receipts	17,000	13,032	(3,968)
Fees Revenues	6,000	6,173	173
Fund Raisers	-	4,865	4,865
Other Pupil Activity Income	-	4,260	4,260
<u>Total Revenues</u>	<u>85,000</u>	<u>115,875</u>	<u>30,875</u>
<u>EXPENDITURES:</u>			
Instruction:			
Salaries	70,000	58,357	11,643
Benefits	16,246	12,379	3,867
PS Professional	-	18	(18)
PS Other	31,030	46,069	(15,039)
Supplies and Materials	68,410	92,747	(24,337)
Property	10,000	9,954	46
Other	9,050	6,542	2,508
<u>Total Instruction</u>	<u>204,736</u>	<u>226,066</u>	<u>(21,330)</u>
Operating Reserves	<u>22,579</u>	-	<u>22,579</u>
<u>Total Expenditures</u>	<u>227,315</u>	<u>226,066</u>	<u>1,249</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(142,315)</u>	<u>(110,191)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	<u>100,000</u>	<u>100,000</u>	-
<u>Total Other Financing Sources (Uses)</u>	<u>100,000</u>	<u>100,000</u>	-
<u>REVENUES OVER (UNDER) OTHER FINANCING</u>			
<u>SOURCES (USES) AND EXPENDITURES</u>	<u>(42,315)</u>	<u>(10,191)</u>	
<u>FUND BALANCE, Beginning</u>	<u>42,315</u>	<u>42,315</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>32,124</u>	

The accompanying notes are an integral part of these financial statements.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
FOOD SERVICE – SPECIAL REVENUE FUND
For the Year Ended June 30, 2019

	<u>Budget Amounts</u> <u>Original & Final</u>	<u>Actual</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Food Sales	<u>19,330</u>	<u>24,532</u>	<u>5,202</u>
Total Local Sources	<u>19,330</u>	<u>24,532</u>	<u>5,202</u>
<u>State Sources</u>			
State Match	<u>2,523</u>	<u>2,523</u>	<u>-</u>
Total State Sources	<u>2,523</u>	<u>2,523</u>	<u>-</u>
<u>Federal Sources</u>			
School Lunches	245,000	282,419	37,419
Commodities	<u>15,000</u>	<u>19,882</u>	<u>4,882</u>
Total Federal Sources	<u>260,000</u>	<u>302,301</u>	<u>42,301</u>
<u>TOTAL REVENUES</u>	<u>281,853</u>	<u>329,356</u>	<u>47,503</u>
<u>EXPENDITURES</u>			
Salaries	148,964	156,493	(7,529)
Employee Benefits	66,541	69,290	(2,749)
Purchased Services	2,450	658	1,792
Food and Milk	153,000	156,916	(3,916)
Other Supplies	21,020	7,394	13,626
Reserve	<u>24,893</u>	<u>-</u>	<u>24,893</u>
<u>TOTAL EXPENDITURES</u>	<u>416,868</u>	<u>390,751</u>	<u>26,117</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(135,015)</u>	<u>(61,395)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<u>REVENUES OVER (UNDER) OTHER FINANCING</u> <u>SOURCES (USES) AND EXPENDITURES</u>	<u>(110,015)</u>	<u>(36,395)</u>	
<u>FUND BALANCE, Beginning</u>	<u>110,015</u>	<u>110,015</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>73,620</u>	

The accompanying notes are an integral part of these financial statements.

STATE REQUIRED SCHEDULES

Auditor's Integrity Report (Revenues, Expenditures, and Fund Balance by Fund)

Bolded Balance Sheet



Colorado Department of Education
Auditors Integrity Report
 District: 1390 - Huerfano Re-1
 Fiscal Year 2018-19
 Colorado School District/BOCES

Fund Type & Number	Revenues, Expenditures, & Fund Balance by Fund		1000 - 5999 Total Revenues & Other Sources		0001-0999 Total Expenditures & Other Uses		6700-6799 & Prior Per Adj (6880)*		6700-6799 & Prior Per Adj (6880)*	
	Beg Fund Balance & Prior Per Adj (6880)*	+	1000 - 5999 Total Revenues & Other Sources	-	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880)*	6700-6799 & Prior Per Adj (6880)*	6700-6799 & Prior Per Adj (6880)*	6700-6799 & Prior Per Adj (6880)*
Governmental										
10 General Fund	2,315,950	+	5,608,046	-	5,694,973	=	2,259,022	0	2,259,022	0
18 Risk Mgmt. Sub-Fund of General Fund	0		0		0		0	0	0	0
19 Colorado Preschool Program Fund	21,685		197,212		197,794		21,103	21,103	21,103	0
Sub- Total	2,337,635		5,805,257		5,862,768		2,280,125	2,280,125	2,280,125	0
11 Charter School Fund	0		0		0		0	0	0	0
20 76-29 Special Revenue Fund	0		0		0		0	0	0	0
06 Supplemental Cap Const. Tech. Main Fund	0		0		0		0	0	0	0
21 Food Service Spec Revenue Fund	110,015		354,356		390,751		73,620	73,620	73,620	0
22 Govt Designated-Purpose Grants Fund	0		437,033		437,033		0	0	0	0
23 Pupil Activity Special Revenue Fund	42,315		215,874		226,066		32,124	32,124	32,124	0
24 Full Day Kindergarten Mill Levy Override	0		0		0		0	0	0	0
25 Transportation Fund	0		0		0		0	0	0	0
31 Bond Redemption Fund	700,659		442,618		409,350		733,927	733,927	733,927	0
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0	0	0	0
41 Building Fund	0		0		0		0	0	0	0
42 Special Building Fund	0		0		0		0	0	0	0
43 Capital Reserve Capital Projects Fund	491,029		203,226		111,280		582,975	582,975	582,975	0
46 Supplemental Cap Const. Tech. Main Fund	0		0		0		0	0	0	0
Totals	6,147,249		7,458,365		7,437,247		3,703,770	3,703,770	3,703,770	0
Proprietary										
50 Other Enterprise Funds	0		0		0		0	0	0	0
64 (62) Risk-Related Activity Fund	0		0		0		0	0	0	0
60,65-69 Other Internal Service Funds	0		0		0		0	0	0	0
Totals	0		0		0		0	0	0	0
Fiduciary										
70 Other Trust and Agency Funds	0		0		0		0	0	0	0
72 Private Purpose Trust Fund	0		0		0		0	0	0	0
73 Agency Fund	0		0		0		0	0	0	0
74 Pupil Activity Agency Fund	0		0		0		0	0	0	0
79 GASB 34 Permanent Fund	0		0		0		0	0	0	0
85 Foundations	0		0		0		0	0	0	0
Totals	0		0		0		0	0	0	0

FINAL



Colorado Department of Education
Bolded Balance Sheet Report
 District: 1390 - Huerfano Re-1
 Fiscal Year 2018-19
 Colorado School District/BOCES

	Governmental				Proprietary						Fiduciary				
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45,47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
ASSETS															
Cash and Investments (8100-8104,8111)	2,958,030	0	31,963	73,441	0	33,829	712,590	582,975	0	0	0	0	0	0	4,392,828
Taxes Receivable (8121,8122)	207,219	0	0	0	0	0	35,337	0	0	0	0	0	0	0	242,556
Interfund Loans Receivable (8131,8132)	63,584	0	0	2,980	0	0	0	0	0	0	0	0	0	0	66,564
Grants Accounts Receivable (8142)	0	0	0	71,107	0	0	0	0	0	0	0	0	0	0	71,107
Other Receivables (8151-8154,8161)	7,704	0	0	0	0	32,377	0	0	0	0	0	0	0	0	40,081
Inventories (8171,8172,8173)	0	0	0	0	0	7,434	0	0	0	0	0	0	0	0	7,434
Prepaid Expenses 8181,8182)	36,613	0	0	0	0	0	0	0	0	0	0	0	0	0	36,613
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets	3,273,150	0	31,963	147,528	0	73,640	747,927	582,975	0	0	0	0	0	0	4,857,183

LIABILITIES & FUND EQUITY

LIABILITIES

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Interfund Payables (7401,7402)	2,960	0	0	63,584	0	20	0	0	0	0	0	0	0	0	66,564
Intergovernmental Payables (7411)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Payables (7421-7423)	126,250	0	0	717	0	0	0	0	0	0	0	0	0	0	126,967
Accrued Expenses (7461)	415,692	0	10,861	44,876	0	0	0	0	0	0	0	0	0	0	471,429
Payroll Ded. and Withholdings (7471-7473)	5,730	0	0	0	0	0	0	0	0	0	0	0	0	0	5,730
Unearned Revenue (7481)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grants Deferred Revenue (7482)	340,917	0	0	6,227	0	0	0	0	0	0	0	0	0	0	347,144
Deferred Inflow (7800)	122,578	0	0	0	0	0	14,000	0	0	0	0	0	0	0	136,578
Total Liabilities	1,014,128	0	10,861	115,405	0	20	14,000	0	0	0	0	0	0	0	1,154,413

Governmental

Proprietary

Fiduciary

FUND EQUITY

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	36,613	0	0	0	0	7,434	0	0	0	0	0	0	0	0	44,047
Restricted Fund Balance 6720	0	0	0	0	0	66,186	733,927	0	0	0	0	0	0	0	800,112
TABOR 3% Emergency Reserve 6721	184,500	0	0	0	0	0	0	0	0	0	0	0	0	0	184,500
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	21,103	0	0	0	0	0	0	0	0	0	0	0	21,103
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEFT Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	0	0	0	0	0	0	0	582,975	0	0	0	0	0	0	582,975
Assigned Fund Balance 6760	0	0	0	32,124	0	0	0	0	0	0	0	0	0	0	32,124
Unassigned Fund Balance 6770	2,037,909	0	0	0	0	0	0	0	0	0	0	0	0	0	2,037,909
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	2,259,022	0	21,103	32,124	0	73,620	733,927	582,975	0	0	0	0	0	0	3,702,770

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Total Liabilities & Fund Equity	3,273,150	0	31,963	147,528	0	73,640	747,927	582,975	0	0	0	0	0	0	4,857,183

For Each Fund Type:
Do Assets=Liability+Fund Equity

Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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