

Brush School District No. RE-2(J)
Brush, Colorado

Financial Statements

For the Year ended June 30, 2019

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Independent Auditors' Report

Board of Education
Brush School District No. RE-2(J)
Brush, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brush School District No. RE-2(J) (the District) 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
December 4, 2019

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis

As of and for the fiscal year ended June 30, 2019

As management of the Brush School District No. RE-2(J), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. The following should be read in conjunction with the District's basic financial statements, the notes to the financial statements, and the required supplementary information. All information presented is based on the District's fiscal calendar (July to June). Unless otherwise stated, references in this report to particular years refer to the District's fiscal years ended in June.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$12,254,315 (*net position*).
- The District's total net position increased by \$21,851,547 and unrestricted net position increased by \$32,281,462
- At the end of the current fiscal year, the District's governmental funds reported combined fund balance of \$29,410,325, a decrease of \$18,764,732 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,491,649 or approximately 84.2% of total General Fund expenditures.
- The District's total outstanding long-term debt decreased during the current fiscal year. The decrease is attributed to reductions in bonds payable \$ 1,160,000, Bond Premium \$64,855, Certificates of participation \$1,177,386 and Net Pension liability\$ 24,004,619 (GASB 68) making the overall decrease in long-term debt \$ 26,406,860

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the District's basic financial statements. The basic financial statements consist of three types of statements: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to provide additional detail to support the basic financial statements.

Government-wide Financial Statements

The two *government-wide financial statements* provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

The two government-wide financial statements distinguish functions of the District that are principally supported by taxes and state equalization funding (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District include instruction, co-curricular pupil activities, instructional support, general and school administration, business and central services, technology, maintenance, transportation and food service.

The government-wide financial statements appear on pages 12-15 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains seven individual governmental funds. 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 the General Fund, Bond Redemption Fund and the Building Fund, which are considered major funds. Data from the other four governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds *are not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the District's own programs. The Scholarship Private-Purpose Trust Fund and Pupil Activity Agency Fund are reported as Fiduciary Funds. The fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-60 of this report.

Required Supplementary Information and Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District. The District adopts an annual appropriated budget for all funds. A budgetary comparison schedule is provided for the General Fund as required supplementary information and for all other funds as other supplementary information to demonstrate compliance with this budget. Required supplementary information can be found on page 61-70 of this report. Other supplementary information, including the combining statements referred to earlier can be found on pages 71-91.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve as a useful indicator of the District's financial position. The District's assets exceeded liabilities and deferred inflows of resources by \$12,254,315 at June 30, 2019.

The largest portion of the District's net position reflects its \$30,821,586 investment in capital assets (e.g., land, buildings and improvements, vehicles, and equipment) net of accumulated depreciation and related outstanding debt. The District uses these capital assets to provide instructional and supporting services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the District's net position represents resources that are subject to external restrictions on how they may be used. These resources are related to debt service (\$3,569,559), Colorado Preschool Program (\$9,910), Food service operations (\$176,726) and for the TABOR emergency (\$885,000). The second largest component of net position represents the unrestricted balance of \$(36,262,322). This amount is unrestricted and may be used to meet the District's ongoing obligations to its students and creditors.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

For the fiscal year 2019, the District's net position increased by \$21,851,547. The reasons for this overall change are discussed in the following sections.

Brush School District No. RE-2(J) Net Position

	Total	
	2019	2018
Current and other assets	\$ 37,342,706	50,051,352
Capital assets	57,973,011	22,297,570
Total assets	95,315,717	72,348,922
Deferred outflows of resources	42,276	72,117
Deferred outflows for contributions	10,188,589	15,211,031
Total deferred outflows	10,230,865	15,283,148
Long-term liabilities outstanding	40,025,619	42,420,725
Other liabilities	7,953,138	1,899,717
Net Pension Liability ^(page 42 Notes)	24,581,851	48,586,470
Net OPEB Liability	1,227,714	1,109,510
Deferred Inflows	19,503,948	3,212,880
Total liabilities and Deferred Inflows	93,292,267	97,229,302
Net investment in capital assets	30,821,586	20,028,681
Restricted	17,695,051	38,917,871
Unrestricted	(36,262,322)	(68,543,784)
Total net position	12,254,315	(9,597,232)

Governmental Activities

During the current fiscal year, net position for governmental activities increased by \$21,851,547 from the prior fiscal year for an ending balance of 12,254,315. Revenues increased \$12,107,611 with a significant increase in operating grants attributed to the award of the Head Start Grant in September 2018 and our Capital Construction project. Expenditures decreased by \$9,201,998. Food Service was combined with Non-major funds in FY 2015 and that practice continued in FY 2019. Food Service's revenues exceeded expenditures resulting in an increase in fund balance of \$30,276. Over 70% of Food Service revenues are federal and state reimbursement grants based on the District's high free and reduced student population.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

Brush School District No. RE-2(J) Changes in Net Position

	Total	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 251,681	304,698
Operating grants & contributions	2,450,429	1,502,394
Capital Grants and Contributions	14,880,686	4,021,321
General revenues:		
Property taxes	12,588,534	12,781,383
Specific ownership taxes	1,334,412	1,208,582
State share	5,099,981	4,418,652
Investment earnings	420,123	195,711
Other	116,160	601,654
Total revenues	37,142,006	25,034,395
Expenses:		
Instruction	6,709,267	13,188,926
Supporting services	7,202,489	10,281,210
Interest	1,379,153	1,022,771
Total expenses	15,290,909	24,492,907
Change in net position	21,851,547	541,488
Net position – beginning (July 1)	(9,597,232)	(10,138,720)
Net position – ending (June 30)	\$ 12,254,315	(9,597,232)

Financial Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use. This balance represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated the authority to assign resources for use by the District's Board of Education.

At June 30, 2019, the District's governmental funds reported combined fund balances of \$29,410,325, a decrease of \$18,764,732 over the prior year. Approximately 39% of this amount (\$11,491,649) constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The District also designates certain balances as assigned fund balance

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

indicating the District's intended use of these resources. The District assigned fund balance to excess special education costs totaling \$100,000. The remainder of the fund balance is either *non-spendable or restricted* to indicate that it is 1) not in spendable form-prepaid and inventory items (\$123,625), 2) legally required to be maintained intact (\$885,000), 3) restricted for debt service purposes (\$3,458,559) or Capital expenditures (\$13,164,856), 4) restricted for the food service fund purposes (\$176,726) or 5) restricted for Colorado preschool (\$9,910).

The General Fund is the chief operating fund of the district, providing the majority of the resources for the educational and support programs. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11,491,649, an increase of \$2,458,130. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total General Fund expenditures net of transfers. Total fund balance represents approximately 80% of total General Fund expenditures net of transfers.

Revenue: Total Program revenue is a statutory concept that includes property taxes, specific ownership taxes, and state share. General Fund property tax revenues were based upon a levy of 36.832 mills applied against an assessed valuation of \$244,393,040. Specific ownership tax is applied to the fair value of vehicles registered in Colorado. State share backfills the required statutory total program. Revenue from these three sources represents approximately 99% of the District's total revenue. Overall, General Fund revenue increased \$501,174 over prior year.

Expenditures: General Fund expenditures increased from prior year with increased spending in salaries and supplies. Additionally, the District targeted increased spending for professional development, intervention, and advanced academic opportunities as outlined with the Mill Levy Override.

The Bond Redemption Fund is used to account for the requirements of the Series 2012, 2015 and 2017 general obligation bonds as well as the matching portion of the Series 2017J Building Excellent Schools Today Bond. The revenue source for the Bond Redemption Fund is a voter approved mill levy. For fiscal 2018, the mill levy was 14.50 mills which was expected to generate approximately \$3.5 million. The Bond Redemption Fund expenditures reflect principal and interest costs on the District's debt. The District used excess fund balance from the Bond Redemption Fund subsidize bond debt in fiscal year 2018-2019. The Series 2003 and Series 2004 general obligation bonds were fully repaid in fiscal year 2014.

General Fund Budgetary Highlights

Total budgeted appropriations adopted by the Board of Education for fiscal year 2019 were \$65,685,645 including General Fund appropriations of \$15,807,910. Total revenues were higher than anticipated due to stronger property tax and specific ownership tax collections. Expenditures were not as high as originally budgeted due to planned deferrals in maintenance.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

The District's gross investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$57,973,011 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, and equipment. Additional information on the District's capital assets can be found in Note E on page 35 of this report.

District voters approved a general obligation bond of \$6,055,000 and a matching certificate of participation bond of \$32,444,245 November 2017. The net proceeds of the Bonds are used for the financing of the costs to construct weather shelter additions at Thomson Primary and Beaver Valley Elementary and to enlarge Brush High School, creating a Middle School/High School Secondary campus as well as paying the costs associated with the issuance of the Bonds. Voters also approved a tax increase of \$400,000 annually to provide additional funds for operating expenses for new, improved, and enlarged school facilities in the middle and high schools.

The District purchased a new activity bus for \$187,282. HVAC maintenance continues at Beaver Valley Elementary, Other maintenance projects were completed as part of the 5-year plan totaling \$71,593.65.

Long-term Debt

At the end of the fiscal year, the District had total long-term debt outstanding of \$65,835,121. Accrued interest payable at June 30, 2019, totaled \$115,559.

The District's total debt decreased by \$26,281,584 during the fiscal year as a result of reductions to the Net pension liability.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20% of assessed valuation. The current debt limitation for the District is \$48,878,608, which is in excess of the District's outstanding general obligation debt. Additional information on the District's long-term debt can be found in Notes G on pages 36-38 of this report.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the School Business Officer, Brush School District No. RE-2(J), 527 Industrial Park Road, Brush, CO 80723. Information is also available via the District's website: Brush School District No. RE-2(J), Financial Transparency, <http://www.brushschools.org/financial-transparency>.

Basic Financial Statements

The basic financial statements of the District include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash	\$ 313,301
Cash with fiscal agent	12,918,580
Investments	21,439,958
Receivables	2,547,242
Prepaid expenses	89,891
Inventory	33,734
Capital assets, net of depreciation	<u>57,973,011</u>
Total assets	95,315,717
Deferred outflows of resources	
Deferred charges on refundings of bonds	42,276
Pension and other post-employment benefit deferrals	<u>10,188,589</u>
Total deferred outflows of resources	<u>10,230,865</u>
Total assets and deferred outflows of resources	<u><u>\$ 105,546,582</u></u>

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

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 4,354,762
Construction contracts payable	1,727,461
Accrued salaries and benefits	1,527,793
Payroll deductions and withholdings	16,015
Accrued interest payable	115,559
Unearned grant revenue	198,938
Unearned revenue	12,670
Noncurrent liabilities	
Due within one year	2,383,968
Due in more than one year	<u>63,451,153</u>
Total liabilities	73,788,319
Deferred inflows of resources	
Pension and other post-employment benefit deferrals	<u>19,503,948</u>
Total deferred inflows of resources	19,503,948
Net position	
Net investment in capital assets	30,821,586
Restricted for:	
Emergencies	885,000
Colorado preschool program	9,910
Debt service	3,458,559
Capital expenditures	13,164,856
Food service	176,726
Unrestricted (deficit)	<u>(36,262,322)</u>
Total net position	<u>12,254,315</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 105,546,582</u></u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Activities
For the Year Ended June 30, 2019

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 6,709,267	\$ 23,557	\$ 1,016,343	\$ 61,727
Supporting services				
Students	386,239		3,074	
Instructional staff	220,469		28,000	
General administration	789,375			
School administration	865,136			
Business services	65,468			
Operations and maintenance	1,500,338	13,886		
Student transportation	461,410	1,726	96,817	
Central support	795,849			
Enterprise operations	747,419		744,667	
Food services	743,801	212,512	561,528	
Facilities acquisition				14,818,959
Unallocated depreciation*	626,985			
Interest and fiscal charges	1,379,153			
Total governmental activities	<u>\$ 15,290,909</u>	<u>\$ 251,681</u>	<u>\$ 2,450,429</u>	<u>\$ 14,880,686</u>

General revenues

Taxes

Property taxes, levied for general purposes
Property taxes, levied for full-day kindergarten
Property taxes, levied for debt services
Specific ownership taxes
Delinquent taxes and interest
State categorical aid
Earnings on investments
Other

Total general revenues

Change in net position

Net position (deficit) at beginning of year

Net position at end of year

* This amount excludes depreciation that is included in the direct expenses of the various programs.

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

Net
Governmental
Activities

\$ (5,607,640)

(383,165)

(192,469)

(789,375)

(865,136)

(65,468)

(1,486,452)

(362,867)

(795,849)

(2,752)

30,239

14,818,959

(626,985)

(1,379,153)

2,291,887

8,850,583

248,782

3,489,619

1,320,844

13,568

5,099,981

420,123

116,160

19,559,660

21,851,547

(9,597,232)

\$ 12,254,315

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Bond Redemption Fund	Building Fund	Other Governmental Funds
Assets				
Cash	\$ 110,640			\$ 202,661
Cash with fiscal agent	108,267	\$ 7,353	\$ 12,802,427	533
Investments	13,904,773	3,422,686	4,112,499	
Due from other funds				102,965
Property taxes receivable	138,240	54,505		3,886
Grants receivable			2,104,079	116,199
Other receivables	125,402		2,864	2,067
Prepaid items	89,891			
Inventory				33,734
Total assets	\$ 14,477,213	\$ 3,484,544	\$ 19,021,869	\$ 462,045
Liabilities				
Due to other funds	\$ 85,208		\$ 15,262	\$ 2,495
Accounts payable	224,125		4,114,290	16,347
Construction contracts payable			1,727,461	
Accrued salaries and benefits	1,309,609			218,184
Payroll withholdings	15,978			37
Unearned grant revenues	198,938			
Unearned revenues				12,670
Total liabilities	1,833,858	\$ -	5,857,013	249,733
Deferred inflows of resources				
Deferred property tax revenues	66,905	25,985		1,852
Fund balance				
Nonspendable for:				
Prepaid items	89,891			
Inventory				33,734
Restricted for:				
Emergencies	885,000			
Colorado preschool program	9,910			
Debt service		3,458,559		
Capital expenditures			13,164,856	
Food service operations				176,726
Assigned to special education	100,000			
Unassigned	11,491,649			
Total fund balance	12,576,450	3,458,559	13,164,856	210,460
Total liabilities, deferred inflows of resources and fund balance	\$ 14,477,213	\$ 3,484,544	\$ 19,021,869	\$ 462,045

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

Total	Amounts reported for governmental activities in the statement of net position are different because:	
\$ 313,301	Total fund balance - governmental funds	\$ 29,410,325
12,918,580		
21,439,958	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	57,973,011
102,965		
196,631		
2,220,278		
130,333	Certain receivables will be collected in the next fiscal year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenues in the funds.	94,742
89,891		
33,734		
<u>\$ 37,445,671</u>		
\$ 102,965	Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(115,559)
4,354,762		
1,727,461		
1,527,793	Long-term liabilities and related deferred outflows and inflows of resources are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(75,108,204)</u>
16,015		
198,938		
12,670		
<u>7,940,604</u>	Net position (deficit) of the governmental activities	<u>\$ 12,254,315</u>
94,742		
89,891		
33,734		
885,000		
9,910		
3,458,559		
13,164,856		
176,726		
100,000		
11,491,649		
<u>29,410,325</u>		
<u>\$ 37,445,671</u>		

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Bond Redemption Fund	Building Fund	Other Governmental Funds
Revenues				
Local sources	\$ 10,550,641	\$ 3,548,614	\$ 145,537	\$ 463,627
Intermediate sources	4,986	786		56
State sources	5,933,381		14,818,959	13,596
Federal sources				1,647,892
Total revenues	16,489,008	3,549,400	14,964,496	2,125,171
Expenditures				
Instruction	7,675,824			698,765
Supporting services	5,961,594			1,517,916
Capital outlay			36,281,663	
Debt service				
Principal retirement		2,337,386		
Interest and fiscal charges		1,419,659		
Total expenditures	13,637,418	3,757,045	36,281,663	2,216,681
Excess of revenues over (under) expenditures	2,851,590	(207,645)	(21,317,167)	(91,510)
Other financing sources (uses)				
Transfers in				121,786
Transfers out	(121,786)			
Total other financing sources (uses)	(121,786)	-	-	121,786
Net change in fund balance	2,729,804	(207,645)	(21,317,167)	30,276
Fund balance at beginning of year	9,846,646	3,666,204	34,482,023	180,184
Fund balance at end of year	<u>\$ 12,576,450</u>	<u>\$ 3,458,559</u>	<u>\$ 13,164,856</u>	<u>\$ 210,460</u>

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

Total	Amounts reported for governmental activities in the statement of activities are different because:	
	Net change in fund balances - governmental funds	\$ (18,764,732)
\$ 14,708,419	Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation in the current period.	35,675,441
5,828		
20,765,936		
1,647,892		
37,128,075		
8,374,589	Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	(2,887)
7,479,510		
36,281,663		
2,337,386		
1,419,659		
55,892,807	In the statement of activities, certain operating expenses - compensated absences, accrued interest payable, refunding deferred charges amortization and bond premium amortization - are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	33,434
(18,764,732)		
121,786	Governmental funds report pension and OPEB contributions as expenditures. However, in the statement of activities, service costs, current year benefit changes, member contributions, expected earnings on plan investments, administrative expenses and recognition of deferred outflows and inflows from the pensions and OPEB are reported as expense.	2,572,905
(121,786)		
-		
(18,764,732)		
48,175,057	Repayment of principal on general obligation bonds, certificates of participation are expenditures in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.	2,337,386
\$ 29,410,325		
	Change in net position of governmental activities	\$ 21,851,547

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
Assets		
Cash	\$ 35,356	\$ 229,368
Certificates of deposit	260,356	42,630
	<u> </u>	<u> </u>
Total assets	<u>\$ 295,712</u>	<u>\$ 271,998</u>
Liabilities		
Due to student groups		<u>\$ 271,998</u>
		<u> </u>
Total liabilities	\$ -	<u>\$ 271,998</u>
Net position		
Held in trust for scholarships	<u>295,712</u>	
	<u> </u>	
Total liabilities and net position	<u>\$ 295,712</u>	

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	<u>Private Purpose Trust Fund</u>
Additions	
Earnings on investments	\$ 149
Contributions	<u>131,543</u>
Total additions	131,692
Deductions	
Scholarship awards	<u>114,745</u>
Total deductions	<u>114,745</u>
Change in net position	16,947
Net position at beginning of year	<u>278,765</u>
Net position at end of year	<u><u>\$ 295,712</u></u>

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A - Summary of significant accounting policies

This summary of the Brush School District No. RE-2(J)'s significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

A.1 - Reporting entity

The Brush School District No. RE-2(J) is a school district governed by an elected seven-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the District has no component units.

A.2 - Fund accounting

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The district does not have any proprietary funds.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following are the District's major governmental funds:

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended.

Expenditures include all costs associated with the daily operation of the schools, except for certain capital outlay expenditures, debt service, food service operations and pupil activities.

Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

Building Fund – This fund is a capital projects fund used to account for the revenues from a bond issuance and BEST grant funds for the purpose of the acquisition or construction of major capital facilities.

The following are the District's nonmajor governmental funds:

Food Service Fund – This fund is a special revenue fund used to account for the financial transactions related to food service operations.

Designated Purpose Grants Fund – This fund is a special revenue fund used to record financial transactions for grants received for designated programs funded by federal, state or local sources.

Full-Day Kindergarten Mill Levy Override Fund – This fund is a special revenue fund used to record financial transactions related to the District's full-day kindergarten program.

Head Start Fund – This fund is a special revenue fund used to account for expenditures related to the Head Start Program.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District has the following fiduciary funds:

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Scholarship Trust Fund – This fund is a private-purpose trust fund used to account for resources held by the District in a fiduciary capacity for scholarships to be distributed to area students for post-secondary education.

Pupil Activity Agency Fund – This fund is an agency fund used to record financial transactions related to school-sponsored pupil organizations and activities.

Note A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Fiduciary funds focus on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The District's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within sixty days after year-end, interest, tuition, grants and student fees.

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position 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 (expenditure) until then.

In addition to liabilities, the statement of financial position 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.

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Expenditures – The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

A.5 – Encumbrances

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year’s budget.

A.6 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.7 – Inventories

Food Service Fund – purchased inventories are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at the United States Department of Agriculture’s assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when consumed. The federal government donates surplus commodities to the national school lunch program. Commodity distributions used by the District are recorded as revenues at the date of their consumption.

A.8 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>
Buildings and improvements	10-40 years
Licensed vehicles	5-20 years
Equipment	5-20 years

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.9 – Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Compensated absences benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated general leave benefits are paid to employees upon termination of employment.

Each full-time classified staff member employed on a 12-month basis shall be granted a two-week vacation after one year of regular employment and three weeks' vacation after 10 years of service to the school district. Part-time personnel employed 12 months per year shall receive the same number of vacation days as provided to full-time 12-month employees in accordance with the regular daily hours worked subject to regulations adopted by the Board. Accumulated leave is paid upon termination of employment.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "accrued compensated absences" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The amount recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

A.10 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds is reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.11 – Fund balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 listed below.

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

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.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the District's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of education through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

A.12 – Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

A.13 – Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.14 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$1,085,388, of which \$500,000 was insured and \$585,388 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

Investments

Authorized Investments – Investment policies are governed by Colorado State Statutes and the District's own investment policies and procedures. Investments of the District may include:

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note B – Cash and investments (Continued)

During the year, the District invested in Colotrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. As of June 30, 2019, the District had invested \$21,439,958 in COLOTRUST PLUS+, an SEC Rule 2a7-like investment pool. Investments are valued at the net asset value (NAV) of \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments.

At year-end, the District had the following investments. The investment in Colotrust (a local government investment pool) is maintained in the General and Bond Redemption Funds.

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Investment in Colotrust	<u>\$ 21,439,958</u>	<u>\$21,439,958</u>	<u>\$ -</u>	<u>\$ -</u>

Credit risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the highest rating from at least one nationally recognized rating agency at the time of purchase. The District has no investment policy that would further limit its investment choices. At year-end, the District’s investment in Colotrust was rated AAA by Standard and Poor’s.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note B – Cash and investments (Continued)

The following table provides a reconciliation of cash and investments on the statement of net position:

Cash on hand	\$ 1,500
Cash in bank	576,525
Cash with fiscal agent	12,918,580
Certificates of deposit	302,986
Colotrust	<u>21,439,958</u>
Total	<u>\$ 35,239,549</u>
<u>Statement of net position</u>	
Cash	\$ 313,301
Cash with fiscal agent	12,918,580
Investments	<u>21,439,958</u>
Subtotal	34,671,839
<u>Statement of fiduciary net position</u>	
Cash	264,724
Certificates of deposit	<u>302,986</u>
Subtotal	<u>567,710</u>
Total	<u>\$ 35,239,549</u>

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>
Property taxes receivable	\$ 196,631
Grants receivable	2,220,278
Other receivables	<u>130,333</u>
Total	<u>\$ 2,547,242</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note C – Receivables (Continued)

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Morgan and Washington Counties bill and collect property taxes for all taxing entities within the counties. The tax receipts collected by the counties are remitted to the District in the subsequent month.

Note D – Interfund transactions

The following is a summary of interfund transactions for the year as presented in the fund financial statements:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental funds</u>		
General fund	\$ -	\$ 85,208
Building fund	-	15,262
Other governmental funds	<u>102,965</u>	<u>2,495</u>
Total	<u>\$ 102,965</u>	<u>\$ 102,965</u>

All balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General Fund	\$ -	\$ 121,786
Other governmental funds	<u>121,786</u>	<u>-</u>
Total	<u>\$ 121,786</u>	<u>\$ 121,786</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. During the year, the District transferred funds in the amount of \$121,786 from the General Fund to the Other governmental funds to subsidize the costs of maintaining the District's full-day kindergarten program.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 597,193	\$ -	\$ -	\$ 597,193
Construction in progress	<u>8,862,723</u>	<u>36,281,663</u>	<u>-</u>	<u>45,144,386</u>
Total capital assets, not being depreciated	9,459,916	36,281,663	-	45,741,579
Capital assets, being depreciated:				
Buildings and improvements	29,806,889	-	-	29,806,889
Licensed vehicles	1,463,238	187,282	-	1,650,520
Equipment	<u>1,662,234</u>	<u>6,000</u>	<u>-</u>	<u>1,668,234</u>
Total capital assets, being depreciated	<u>32,932,361</u>	<u>193,282</u>	<u>-</u>	<u>33,125,643</u>
Total capital assets	42,392,277	36,474,945	-	78,867,222
Less accumulated depreciation:				
Buildings and improvements	(18,295,998)	(626,985)	-	(18,922,983)
Licensed vehicles	(723,615)	(71,354)	-	(794,969)
Equipment	<u>(1,075,094)</u>	<u>(101,165)</u>	<u>-</u>	<u>(1,176,259)</u>
Total accumulated depreciation	<u>(20,094,707)</u>	<u>(799,504)</u>	<u>-</u>	<u>(20,894,211)</u>
Governmental activities capital assets, net	<u>\$ 22,297,570</u>	<u>\$ 35,675,441</u>	<u>\$ -</u>	<u>\$ 57,973,011</u>

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

Governmental activities	
Instruction	\$ 22,307
Operations and maintenance	77,346
Student transportation	72,866
Unallocated	<u>626,985</u>
Total	<u>\$ 799,504</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note F – Accrued salaries and benefits

Salaries and 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 not paid at year-end are estimated to be \$1,527,793. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Governmental activities					
Compensated absences	\$ 22,356	\$ 7,072	\$ -	\$ 29,428	\$ -
Bonds payable	9,040,000	-	(1,160,000)	7,880,000	1,185,000
Bond premium	914,124	-	(64,855)	849,269	-
Certificates of participation	32,444,245	-	(1,177,386)	31,266,859	1,198,968
Net pension liability	48,586,470	-	(24,004,619)	24,581,851	-
Net OPEB liability	<u>1,109,510</u>	<u>118,204</u>	<u>-</u>	<u>1,227,714</u>	<u>-</u>
 Total	 <u>\$ 92,116,705</u>	 <u>\$ 125,276</u>	 <u>\$(26,406,860)</u>	 <u>\$ 65,835,121</u>	 <u>\$ 2,383,968</u>

Payments on the compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, as well as the net pension and OPEB liabilities. Payments on the bonds and certificates of participation are made in the Bond Redemption Fund.

Bonds Payable

\$5,330,000 general obligation refunding bonds, dated June 2012, due in annual installments beginning in fiscal year 2013 ranging from \$50,000 to \$880,000; variable annual interest rates ranging from 2.00% to 3.00%; payable semi-annually on June 1st and December 1st.

\$ 955,000

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note G - Long-term debt (Continued)

\$1,685,000 general obligation refunding bonds, dated December 1, 2015, due in annual installments beginning in fiscal year 2018 ranging from \$265,000 to \$870,000; variable annual interest rates ranging from 2.00% to 4.00%; payable semi-annually on June 1st and December 1st. 870,000

\$6,055,000 general obligation bonds, dated October 30, 2017, due in annual installments beginning in fiscal year 2022 ranging from \$250,000 to \$500,000; varying annual interest rates from 3.00% to 5.00%, payable semi-annually on June 1st and December 1st. 6,055,000

Total general obligation bonds \$ 7,880,000

The following schedule represents the District's debt service requirements to maturity for all outstanding bonded indebtedness:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,185,000	\$ 304,631	\$ 1,489,631
2021	640,000	272,906	912,906
2022	250,000	259,556	509,556
2023	260,000	251,906	511,906
2024	265,000	242,706	507,706
2025-2029	1,500,000	1,033,106	2,533,106
2030-2034	1,895,000	627,656	2,522,656
2035-2038	<u>1,885,000</u>	<u>140,266</u>	<u>2,025,266</u>
Totals	<u>\$ 7,880,000</u>	<u>\$ 3,132,733</u>	<u>\$ 11,012,733</u>

Prior year defeasance of debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At year-end, \$3,085,000 of bonds outstanding are considered defeased.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note G – Long-term debt (Continued)

Certificates of participation

In December 2017, the District issued \$32,444,245 Certificates of Participation, Series 2017. Principal payments are due in annual installments beginning in fiscal year 2018 ranging from \$1,177,386 to \$2,184,848; fixed annual interest rate of 3.390%, payable semi-annually on June 1st and December 1st.

The following schedule represents the District’s debt service requirements to maturity for all outstanding certificates of participation indebtedness:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,198,968	\$ 1,039,624	\$ 2,238,592
2021	1,239,613	998,290	2,237,903
2022	1,281,636	955,555	2,237,191
2023	1,325,084	911,371	2,236,455
2024	1,370,004	865,689	2,235,693
2025-2029	7,578,967	3,587,144	11,166,111
2030-2034	8,953,702	2,189,106	11,142,808
2035-2038	<u>8,318,885</u>	<u>575,769</u>	<u>8,894,654</u>
Totals	<u>\$ 31,266,859</u>	<u>\$ 11,122,548</u>	<u>\$ 42,389,407</u>

Note H – Defined benefit pension plan

Summary of significant accounting policies

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H - Defined benefit pension plan (Continued)

- 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. Section 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 the 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.

General information about the pension plan

Plan description. Eligible employees of the District 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. Section 24-51-602, 604, 1713, and 1714.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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.

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 SB 18-200, 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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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 in C.R.S. Section 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 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.

Contributions provisions as of June 30, 2019. Eligible employees, the District 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. Section 24-51-401, *et seq.* and Section 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:

	January 1, 2018 Through <u>December 31, 2018</u>	January 1, 2019 Through <u>June 30, 2019</u>
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411	<u>5.50%</u>	<u>5.50%</u>
Total employer contribution rate to the SCHDTF	<u><u>19.13%</u></u>	<u><u>19.13%</u></u>

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

As specified in C.R.S. Section 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.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,510,682 for the year.

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 District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2018 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At year-end, the District reported a liability of \$24,581,851 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 District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 24,581,851
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	<u>3,361,227</u>
Total	<u>\$ 27,943,078</u>

At December 31, 2018, the District's proportion was 0.1388 percent, which was a decrease of 0.0115 percent from its proportion measured as of December 31, 2017.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H - Defined benefit pension plan (Continued)

For the year ended June 30, 2019, the District recognized pension income of \$876,177 and revenue of \$216,902 for support from the State as a nonemployer contributing entity. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 865,502	\$ -
Changes of assumptions or other inputs	4,951,820	15,287,266
Net difference between projected and actual earnings on pension plan investments	3,356,858	2,153,429
Changes in proportion and differences between contributions recognized and proportionate share of contributions	119,750	2,047,462
Contributions subsequent to the measurement date	<u>762,485</u>	<u>-</u>
Total	<u>\$ 10,056,415</u>	<u>\$ 19,488,157</u>

\$762,485 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 subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30, ___</u>	<u>Amount</u>
2020	\$ (1,348,845)
2021	(5,695,766)
2022	(3,882,549)
2023	<u>732,933</u>
Totals	<u>\$(10,194,227)</u>

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:

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	21.20%	4.30%
U.S. equity – small cap	7.42%	4.80%
Non U.S. equity – developed	18.55%	5.20%
Non U.S. equity – emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	<u>1.00%</u>	0.20%
Total	<u>100.00%</u>	

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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.
- 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.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

- 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 District's 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 <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net pension liability	\$ <u>31,251,618</u>	\$ <u>24,581,851</u>	\$ <u>18,984,791</u>

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.

Payables to the pension plan

The District did not report any payables to the pension plan at year-end.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note I – Defined contribution pension plan

Voluntary Investment Program

Plan description. Employees of the District 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. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended, program members contributed \$52,227 for the Voluntary Investment Program.

Note J – Defined benefit other post-employment benefit (OPEB) plan

Summary of significant accounting policies

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

General information about the OPEB plan

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (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 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. Section 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.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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. Section 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.

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 District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$80,549 for the year ended.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

At year-end, the District reported a liability of \$1,227,714 for its proportionate share of the net OPEB liability. The net pension 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 District's proportion of the net OPEB liability was based on the District's 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 District's proportion was 0.0902 percent, which was an increase of 0.0048 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$111,405. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 4,216	\$ 1,869
Changes of assumptions or other inputs	8,612	-
Net difference between projected and actual earnings on OPEB plan investments	21,775	13,922
Changes in proportion and differences between contributions recognized and proportionate share of contributions	56,916	-
Contributions subsequent to the measurement date	<u>40,655</u>	<u>-</u>
Total	<u>\$ 132,174</u>	<u>\$ 15,791</u>

\$40,655 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 subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

Year Ended June 30, _____	Amount
2020	\$ 14,628
2021	14,628
2022	14,628
2023	19,268
2024	12,099
2025	<u>477</u>
Totals	<u>\$ 75,728</u>

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 OPEB 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

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 costs between employers of each fund to that point.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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:

<u>Medicare Plan</u>	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
UnitedHealthcare 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:

<u>Medicare Plan</u>	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
UnitedHealthcare Medicare HMO	400

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
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 show 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.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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.

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.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	21.20%	4.30%
U.S. equity – small cap	7.42%	4.80%
Non U.S. equity – developed	18.55%	5.20%
Non U.S. equity – emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	<u>1.00%</u>	0.20%
Total	<u>100.00%</u>	

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

Sensitivity of the District's 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:

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$ 1,193,812	\$ 1,227,714	\$ 1,266,707

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.
- 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.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

Sensitivity of the District’s 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 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	\$ 1,373,705	\$ 1,227,714	\$ 1,102,905

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.

Payables to the OPEB plan

The District did not report any payables to the OPEB plan at year-end.

Note K – Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool’s objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District’s contribution for the year was \$176,877. The District continues to carry commercial insurance for all other risks of loss, including workers’ compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note L – Commitments and contingencies

Federal and state funding

The District receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified requirements by the entire electorate. During the year ended June 30, 2002, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$885,000 for the emergency reserve.

Colorado local government budget laws

Expenditures in the Full-Day Kindergarten Mill Levy Override Fund exceeded appropriations by \$11,841, which may be a violation of Colorado local government budget laws.

The District did not adopt an appropriations resolution for the Head Start Fund. As such, expenditures made may be in violation of Colorado local government budget laws. Amounts presented are based on the adopted, but unappropriated, budget.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note M – Joint venture

The District participates in the Centennial Board of Cooperative Educational Services (BOCES). This joint venture does not meet the criteria for inclusion within the reporting entity because the BOCES:

- is financially independent and responsible for its own financing deficits and entitled to its own surpluses,
- has a separate governing board from that of the District,
- has a separate management which is responsible for the day to day operations and is accountable to the separate board,
- governing board and management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome or disposition of matters affecting the recipients or services provided, and
- has absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

The District has one member on the board. The board has final authority for all budgeting and financing of the joint venture.

Separate financial statements of the Centennial Board of Cooperative Educational Services are available by contacting their administrative office in Greeley, Colorado.

For the year, the District's contribution was \$102,529.

Note N – Construction commitments

The District began a construction project to build a new facility during the 2017-2018 school year at an estimated cost of \$60,081,935, funded in part with local bond funds as well as state BEST Grant funds. At year-end, the District had approximately \$23,708,197 in uncompleted construction contracts, which will be paid from remaining local bond funds as well as BEST Grant funds.

Note O – Head start fund

The District was awarded a five year grant to operate the Head Start program beginning September 1, 2018. The financial activities related to the program have been accounted for in the Head Start Fund, a nonmajor Special Revenue Fund.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of the District’s Proportionate Share of the Net Pension Liability – PERA’s School Division Trust Fund
- Schedule of District Contributions – PERA’s School Division Trust Fund
- Schedule of the District’s Proportionate Share of the Net OPEB Liability – PERA’s Health Care Trust Fund
- Schedule of District Contributions – PERA’s Health Care Trust Fund
- Notes to the Required Supplementary Information

BRUSH SCHOOL DISTRICT NO. RE-2(J)
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 10,548,317	\$ 10,548,317	\$ 10,550,641	\$ 2,324
Intermediate sources	4,200	4,200	4,986	786
State sources	5,466,016	5,466,016	5,933,381	467,365
Total revenues	16,018,533	16,018,533	16,489,008	470,475
Expenditures				
Instruction	7,573,033	7,573,033	7,675,824	(102,791)
Supporting services	8,234,877	8,234,877	5,961,594	2,273,283
Total expenditures	15,807,910	15,807,910	13,637,418	2,170,492
Excess of revenues over (under) expenditures	210,623	210,623	2,851,590	2,640,967
Other financing sources (uses)				
Transfers out	(201,290)	(201,290)	(121,786)	79,504
Total other financing sources (uses)	(201,290)	(201,290)	(121,786)	79,504
Net change in fund balance	\$ 9,333	\$ 9,333	2,729,804	\$ 2,720,471
Fund balance at beginning of year			9,846,646	
Fund balance at end of year			\$ 12,576,450	

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BRUSH SCHOOL DISTRICT NO. RE-2(J)
Schedule of the District's Proportionate Share of the Net Pension Liability¹
PERA's School Division Trust Fund
June 30, 2019

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
District's proportion of the net pension liability	0.1388%	0.1503%	0.1495%	0.1483%
District's proportionate share of the net pension liability	\$ 24,581,851	\$ 48,586,470	\$ 44,506,341	\$ 22,679,462
State's proportionate share of the net pension liability	<u>3,361,227</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 27,943,078</u>	<u>\$ 48,586,470</u>	<u>\$ 44,506,341</u>	<u>\$ 22,679,462</u>
District's covered payroll	\$ 7,631,964	\$ 6,930,991	\$ 6,708,983	\$ 6,462,300
District's proportionate share of the net pension liability as a percentage of its covered payroll	322.09%	701.00%	663.38%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	57.01%	43.96%	43.10%	59.20%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

¹ Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

June 30, 2015 June 30, 2014

0.1588% 0.1641%

\$ 21,526,445 \$ 20,929,143

 - -
\$ 21,526,445 \$ 20,929,143

\$ 6,653,306 \$ 6,614,834

323.55% 316.40%

62.84% 64.08%

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Schedule of District Contributions¹
PERA's School Division Trust Fund
June 30, 2019

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Contractually required contribution	\$ 1,510,682	\$ 1,379,368	\$ 1,231,343	\$ 1,180,856
Contributions in relation to the contractually required contribution	<u>(1,510,682)</u>	<u>(1,379,368)</u>	<u>(1,231,343)</u>	<u>(1,180,856)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,896,923	\$ 7,304,164	\$ 6,699,481	\$ 6,658,930
Contributions as a percentage of covered payroll	19.13%	18.88%	18.38%	17.73%

¹ Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

<u>June 30, 2015</u>	<u>June 30, 2014</u>
\$ 1,092,427	\$ 1,068,224
<u>(1,092,427)</u>	<u>(1,068,224)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 6,475,789	\$ 6,684,513
16.87%	15.98%

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Schedule of the District's Proportionate Share of the Net OPEB Liability¹
PERA's Health Care Trust Fund
June 30, 2019

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
District's proportion of the net OPEB liability	0.0902%	0.0854%	0.0850%
District's proportionate share of the net OPEB liability	\$ 1,227,714	\$ 1,109,510	\$ 1,101,625
District's covered payroll	\$ 7,631,964	\$ 6,930,991	\$ 6,708,983
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.09%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

¹ Information is not available prior to June 30, 2017. In future reports, additional years will be added until 10 years of historical data are presented.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Schedule of District Contributions¹
PERA's Health Care Trust Fund
June 30, 2019

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 80,549	\$ 74,502	\$ 68,335
Contributions in relation to the contractually required contribution	<u>(80,549)</u>	<u>(74,502)</u>	<u>(68,335)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,896,923	\$ 7,304,164	\$ 6,699,481
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

¹ Information is not available prior to June 30, 2017. In future reports, additional years will be added until 10 years of historical data are presented.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to the Required Supplementary Information

Note A – Budgetary data

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the superintendent of schools submits to the board of education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Prior to January 31, the board of education submits its adopted annual budget to the department of education.
5. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the board of education.
6. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year. After budget approval, the District board of education may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted.
8. Appropriations lapse at year-end.

Note B – Factors affecting trends in amounts reported in the pension and OPEB schedules

Information about factors that significantly affect trends in the amounts reported in the Schedules of the District's Proportionate Share of the Net Pension and OPEB Liabilities and the Schedules of District Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Supplementary Information

The other supplementary information presents a summary of the financial position of all funds of a given segment and the operating results of the same funds. The individual fund statements and schedules present information when only one fund exists.

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Budgetary Comparison Schedules - General Fund

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 9,170,362	\$ 9,170,362	\$ 8,852,354	\$ (318,008)
Specific ownership taxes	605,455	605,455	1,320,611	715,156
Delinquent taxes and interest	4,500	4,500	9,557	5,057
Tuition	17,000	17,000	23,557	6,557
Other transportation	1,000	1,000	1,726	726
Earnings on investments	60,000	60,000	220,357	160,357
Other revenues	690,000	690,000	122,479	(567,521)
Total local sources	10,548,317	10,548,317	10,550,641	2,324
Intermediate sources				
Mineral lease	2,900	2,900	2,992	92
County impact assistance	1,300	1,300	1,994	694
Total intermediate sources	4,200	4,200	4,986	786
State sources				
State equalization	4,943,362	4,943,362	5,099,981	156,619
Vocational education	52,769	52,769	45,885	(6,884)
ELPA professional development	27,044	27,044	49,902	22,858
English language proficiency			41,389	41,389
Transportation	106,198	106,198	96,817	(9,381)
READ act	65,000	65,000	55,931	(9,069)
State grants for libraries			4,000	4,000
Small rural schools funding	246,668	246,668	246,668	-
At-risk funding			11,672	11,672
State on-behalf payment			199,634	199,634
School safety grant			61,727	61,727
Services within the BOCES	24,975	24,975	19,775	(5,200)
Total state sources	5,466,016	5,466,016	5,933,381	467,365
Total revenues	\$ 16,018,533	\$ 16,018,533	\$ 16,489,008	\$ 470,475

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BRUSH SCHOOL DISTRICT NO. RE-2(J)
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Salaries	\$ 5,252,412	\$ 5,252,412	\$ 4,923,614	\$ 328,798
Employee benefits	1,624,477	1,624,477	2,128,614	(504,137)
Purchased services	512,773	512,773	408,608	104,165
Supplies and materials	167,851	167,851	155,927	11,924
Property	13,950	13,950	58,037	(44,087)
Other	1,570	1,570	1,024	546
Total instruction	7,573,033	7,573,033	7,675,824	(102,791)
Supporting services				
Students				
Salaries	352,418	352,418	351,898	520
Employee benefits	110,161	110,161	138,300	(28,139)
Supplies and materials	16,805	16,805	14,090	2,715
Total students	479,384	479,384	504,288	(24,904)
Instructional staff				
Salaries	102,974	102,974	103,298	(324)
Employee benefits	50,852	50,852	54,849	(3,997)
Purchased services			48,853	(48,853)
Supplies and materials	34,935	34,935	25,024	9,911
Total instructional staff	188,761	188,761	232,024	(43,263)
General administration				
Salaries	338,213	338,213	337,450	763
Employee benefits	83,769	83,769	103,415	(19,646)
Purchased services	306,645	306,645	199,091	107,554
Supplies and materials	418,910	418,910	238,868	180,042
Other	600,000	600,000	26,701	573,299
Total general administration	1,747,537	1,747,537	905,525	842,012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	853,103	853,103	791,870	61,233
Employee benefits	271,748	271,748	311,916	(40,168)
Purchased services	5,100	5,100	3,285	1,815
Supplies and materials	28,764	28,764	25,092	3,672
Property	5,533	5,533	5,533	-
Total school administration	1,164,248	1,164,248	1,137,696	26,552
Business services				
Salaries	29,792	29,792	26,303	3,489
Employee benefits	13,435	13,435	11,547	1,888
Purchased services	23,812	23,812	23,457	355
Supplies and materials	12,000	12,000		12,000
Other			12,583	(12,583)
Total business services	79,039	79,039	73,890	5,149
Operations and maintenance				
Salaries	517,154	517,154	482,359	34,795
Employee benefits	193,975	193,975	225,035	(31,060)
Purchased services	392,062	392,062	349,270	42,792
Supplies and materials	524,740	524,740	530,402	(5,662)
Property	675,605	675,605	7,953	667,652
Total operations and maintenance	2,303,536	2,303,536	1,595,019	708,517
Student transportation				
Salaries	275,892	275,892	235,203	40,689
Employee benefits	97,106	97,106	111,724	(14,618)
Purchased services	41,437	41,437	26,940	14,497
Supplies and materials	136,595	136,595	94,634	41,961
Property	231,000	231,000	188,282	42,718
Total student transportation	782,030	782,030	656,783	125,247

(Continued)

BRUSH SCHOOL DISTRICT NO. RE-2(J)
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2019

(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support				
Salaries	172,002	172,002	172,002	-
Employee benefits	50,810	50,810	60,755	(9,945)
Purchased services	335,517	335,517	329,699	5,818
Supplies and materials	51,139	51,139	51,139	-
Property	242,021	242,021	241,457	564
Total central support	851,489	851,489	855,052	(3,563)
Enterprise operations				
Salaries	451,255	451,255	893	450,362
Employee benefits	187,598	187,598	424	187,174
Total enterprise operations	638,853	638,853	1,317	637,536
Total supporting services	8,234,877	8,234,877	5,961,594	2,273,283
Total expenditures	<u>\$ 15,807,910</u>	<u>\$ 15,807,910</u>	<u>\$ 13,637,418</u>	<u>\$ 2,170,492</u>

**Combining Statements and Budgetary Comparison Schedules –
Nonmajor Governmental Funds**

The District reports the following nonmajor governmental funds:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Food Service Fund – This fund is a special revenue fund used to account for the financial transactions related to food service operations.

Designated Purpose Grants Fund – This fund is a special revenue fund used to record financial transactions for grants received for designated programs funded by federal, state or local sources.

Full-Day Kindergarten Mill Levy Override Fund – This fund is a special revenue fund used to record financial transactions related to the District's full-day kindergarten program.

Head Start Fund – This fund is a special revenue fund used to account for expenditures related to the Head Start Program.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds			
	Food Service	Designated Purpose Grants	Full-Day Kindergarten Mill Levy Override	Head Start
Assets				
Cash	\$ 201,405			\$ 1,256
Cash with fiscal agent			\$ 533	
Due from other funds		\$ 40,943	62,022	
Property taxes receivable			3,886	
Grants receivables	8,763	11,797		95,639
Other receivables	2,067			
Inventory	33,734			
Total assets	\$ 245,969	\$ 52,740	\$ 66,441	\$ 96,895
Liabilities				
Due to other funds	\$ 2,495			
Accounts payable	9,625	\$ 2,024	\$ 4,698	
Accrued salaries and benefits	10,682	50,716	59,891	\$ 96,895
Payroll withholdings	37			
Unearned revenues	12,670			
Total liabilities	35,509	52,740	64,589	96,895
Deferred inflows of resources				
Deferred property tax revenues			1,852	
Fund balance				
Nonspendable for inventory	33,734			
Restricted for food service	176,726			
Total fund balance	210,460	-	-	-
Total liabilities, deferred inflows of resources and fund balance	\$ 245,969	\$ 52,740	\$ 66,441	\$ 96,895

<u>Totals</u>	
\$	202,661
	533
	102,965
	3,886
	116,199
	2,067
	33,734
	<u>462,045</u>
\$	462,045
<u> </u>	
\$	2,495
	16,347
	218,184
	37
	12,670
	<u>249,733</u>
	1,852
	33,734
	176,726
	<u>210,460</u>
	<u>462,045</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2019

	Special Revenue Funds			
	Food Service	Designated Purpose Grants	Full-Day Kindergarten Mill Levy Override	Head Start
Revenues				
Local sources	\$ 212,549		\$ 249,336	\$ 1,742
Intermediate sources			56	
State sources	13,596			
Federal sources	547,932	\$ 355,293		744,667
Total revenues	774,077	355,293	249,392	746,409
Expenditures				
Instruction		328,219	370,546	
Supporting services	743,801	27,074	632	746,409
Total expenditures	743,801	355,293	371,178	746,409
Excess of revenues over (under) expenditures	30,276	-	(121,786)	-
Other financing sources				
Transfers in			121,786	
Net change in fund balance	30,276	-	-	-
Fund balance at beginning of year	180,184	-	-	-
Fund balance at end of year	\$ 210,460	\$ -	\$ -	\$ -

<u>Totals</u>	
\$	463,627
	56
	13,596
	<u>1,647,892</u>
	2,125,171
	698,765
	<u>1,517,916</u>
	<u>2,216,681</u>
	(91,510)
	<u>121,786</u>
	30,276
	<u>180,184</u>
\$	<u><u>210,460</u></u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 260,000	\$ 260,000	\$ 212,549	\$ (47,451)
State sources	18,500	18,500	13,596	(4,904)
Federal sources	578,528	578,528	547,932	(30,596)
Total revenues	857,028	857,028	774,077	(82,951)
Expenditures				
Supporting services				
Salaries	68,780	68,780	45,555	23,225
Employee benefits	24,073	24,073	17,765	6,308
Purchased services	325,000	325,000	321,089	3,911
Supplies and materials	337,000	337,000	357,340	(20,340)
Other	66,500	66,500	2,052	64,448
Total expenditures	821,353	821,353	743,801	77,552
Net change in fund balance	\$ 35,675	\$ 35,675	30,276	\$ (5,399)
Fund balance at beginning of year			180,184	
Fund balance at end of year			\$ 210,460	

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Designated Purpose Grants Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal sources				
Title I, Part A			\$ 111,632	\$ 111,632
Services within the BOCES	\$ 400,000	400,000	243,661	(156,339)
Total revenues	400,000	400,000	355,293	(44,707)
Expenditures				
Instruction				
Salaries	223,943	223,943	185,257	38,686
Employee benefits	98,550	98,550	49,671	48,879
Purchased services	21,507	21,507	62,935	(41,428)
Supplies and materials	26,000	26,000	30,356	(4,356)
Total instruction	370,000	370,000	328,219	41,781
Supporting services				
Students				
Purchased services			3,074	(3,074)
Instructional staff				
Purchased services	30,000	30,000	24,000	6,000
Total supporting services	30,000	30,000	27,074	2,926
Total expenditures	400,000	400,000	355,293	44,707
Excess of revenues over (under) expenditures	-	-	-	-
Other financing sources				
Transfers in	91,293	91,293		(91,293)
Net change in fund balance	\$ 91,293	\$ 91,293	-	\$ (91,293)
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Full-Day Kindergarten Mill Levy Override Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 249,990	\$ 249,990	\$ 248,837	\$ (1,153)
Specific ownership taxes			233	233
Delinquent taxes and interest			266	266
Intermediate sources			56	56
Total revenues	249,990	249,990	249,392	(598)
Expenditures				
Instruction				
Salaries	262,837	262,837	247,142	15,695
Employee benefits	86,500	86,500	113,601	(27,101)
Supplies	10,000	10,000	9,803	197
Total instruction	359,337	359,337	370,546	(11,209)
Supporting services				
Purchased services	-	-	632	(632)
Total expenditures	359,337	359,337	371,178	(11,841)
Excess of revenues over (under) expenditures	(109,347)	(109,347)	(121,786)	(12,439)
Other financing sources				
Transfers in	109,997	109,997	121,786	11,789
Net change in fund balance	\$ 650	\$ 650	-	\$ (650)
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Head Start Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 166,086	\$ 166,086	\$ 1,742	\$ (164,344)
Federal sources	664,344	664,344	744,667	80,323
Total revenues	830,430	830,430	746,409	(84,021)
Expenditures				
Supporting services				
Salaries	482,317	482,317	416,643	65,674
Employee benefits	236,603	236,603	187,401	49,202
Purchased services	5,000	5,000	24,884	(19,884)
Supplies and materials	23,900	23,900	117,481	(93,581)
Other	82,610	82,610		82,610
Total expenditures	830,430	830,430	746,409	84,021
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

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Budgetary Comparison Schedule – Debt Service Fund

The District reports the following major debt service fund:

Debt Service Fund – These funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Bond Redemption Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 3,544,921	\$ 3,544,921	\$ 3,490,680	\$ (54,241)
Delinquent taxes and interest			3,745	3,745
Interest on investments	18,591	18,591	54,189	35,598
Intermediate sources			786	786
Total revenues	3,563,512	3,563,512	3,549,400	(14,112)
Expenditures				
Debt service				
Principal retirement	2,337,386	2,337,386	2,337,386	-
Interest and fiscal charges	1,419,659	1,419,659	1,419,659	-
Total expenditures	3,757,045	3,757,045	3,757,045	-
Net change in fund balance	\$ (193,533)	\$ (193,533)	(207,645)	\$ (14,112)
Fund balance at beginning of year			3,666,204	
Fund balance at end of year			\$ 3,458,559	

Budgetary Comparison Schedule - Capital Projects Fund

The District reports the following major capital projects fund:

Capital Projects Fund – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- Building Fund – This fund is a capital projects fund used to account for the revenues from a bond issuance and BEST grant funds for the purpose of the acquisition or construction of major capital facilities.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Building Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Interest on investments	\$ 20,000	\$ 20,000	\$ 145,537	\$ 125,537
State sources				
BEST capital construction	39,850,000	39,850,000	14,818,959	(25,031,041)
Total revenues	39,870,000	39,870,000	14,964,496	(24,905,504)
Expenditures				
Capital outlay				
Purchased services			2,663,544	(2,663,544)
Supplies			9,517	(9,517)
Property	43,850,000	43,850,000	33,608,602	10,241,398
Total expenditures	43,850,000	43,850,000	36,281,663	7,568,337
Excess of revenues over (under) expenditures	(3,980,000)	(3,980,000)	(21,317,167)	(17,337,167)
Other financing sources				
Proceeds from debt issuance	6,055,000	6,055,000		(6,055,000)
Net change in fund balance	\$ 2,075,000	\$ 2,075,000	(21,317,167)	\$ (23,392,167)
Fund balance at beginning of year			34,482,023	
Fund balance at end of year			\$ 13,164,856	

Budgetary Comparison Schedules - Fiduciary Funds

These funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Private-purpose trust funds – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

- Scholarship Trust Fund – This fund is used to record the financial transactions related to the administration of a scholarship trust that is used to award scholarships to area students.

Agency fund – These funds are used to report resources held by the District in a purely custodial capacity (assets equal liabilities). These funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

- Pupil Activity Agency Fund – This fund is an agency fund used to record transactions related to school-sponsored pupil organizations and activities.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Scholarship Trust Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments			\$ 149	\$ 149
Contributions	\$ 160,000	\$ 160,000	131,543	(28,457)
Total revenues	160,000	160,000	131,692	(28,308)
Expenditures				
Scholarship awards	160,000	160,000	114,745	45,255
Total expenditures	160,000	160,000	114,745	45,255
Excess of revenues over (under) expenditures	\$ -	\$ -	16,947	\$ 16,947
Net position at beginning of year			278,765	
Net position at end of year			\$ 295,712	

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Pupil Activity Agency Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Fundraising and other events	\$ 530,000	\$ 530,000	\$ 544,937	\$ 14,937
Total additions	530,000	530,000	544,937	14,937
Deductions				
Pupil activity expenditures	530,000	530,000	495,846	34,154
Total deductions	530,000	530,000	495,846	34,154
Excess of additions over (under) deductions	\$ -	\$ -	49,091	\$ 49,091
Due to student groups at beginning of year			222,907	
Due to student groups at end of year			\$ 271,998	

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Single Audit Section

The Single Audit Section contains the following:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Direct program:			
Head Start	93.600	8600	<u>\$ 738,993</u>
Total U.S. Department of Health and Human Services			738,993
<u>U.S. Department of Agriculture</u>			
Pass-through programs from:			
Colorado Department of Public Health and Environment:			
Child and Adult Care Food Program	10.558	4558	<u>45,455</u>
Total U.S. Department of Agriculture			45,455
<u>U.S. Department of Education</u>			
Pass-through programs from:			
Colorado Department of Education:			
Title I Grants to Local Educational Agencies	84.010	4010	<u>111,632</u>
Total U.S. Department of Education			111,632
<u>Child Nutrition Cluster</u>			
U.S. Department of Agriculture:			
Pass-through program from:			
Colorado Department of Human Services:			
Donated Commodities	10.555	4555	40,783
Colorado Department of Education:			
School Breakfast Program	10.553	4553	133,699
National School Lunch Program	10.555	4555	313,088
Summer Food Service Program for Children	10.559	4559	<u>20,581</u>
Total Child Nutrition Cluster			<u>508,151</u>
Total expenditures of federal awards			<u><u>\$ 1,404,231</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Schedule of Expenditures of Federal Awards

Note A – Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Brush School District No. RE-2(J) and is presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Grant and entitlement revenues are recognized to the extent of related expenditures or when compliance with matching requirements are met. A receivable is established when the related expenditures exceed revenue receipts and an unearned grant revenue account is established when receipts exceed the related expenditures. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B – Nonmonetary assistance

Federal nonmonetary assistance is reported in the schedule at the fair value of the items received and disbursed during the year. The District received nonmonetary assistance for the year as follows:

CFDA No. 10.555	National School Lunch Program	\$ <u>40,783</u>
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Note C – Indirect Cost Rate

The District did not elect to use the 10% de minimis indirect cost rate.

Note D – Subrecipients

The District did not pass through any federal grants to subrecipients.

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

Board of Education
Brush School District No. RE-2(J)
Brush, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brush School District No. RE-2(J) (the District), 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, and have issued our report thereon dated December 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
December 4, 2019



LAUER, SZABO & ASSOCIATES, PC

Certified Public Accountants

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

Board of Education
Brush School District No. RE-2(J)
Brush, Colorado

Report on Compliance for Each Major Program

We have audited the Brush School District No. RE-2(J)'s (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
December 4, 2019

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Summary of audit results

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the Brush School District No. RE-2(J) (the District).
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any findings relative to the major federal award programs of the District.
7. The program tested as major was:

Head Start	CFDA No. 93.600
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8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The District did not qualify as a low-risk auditee.

Findings – Financial statement audit

We noted no findings that are required to be reported under *Government Auditing Standards*.

Findings and Questioned Costs

We noted no findings or questioned costs that are required to be reported in accordance with the Uniform Guidance.

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**Colorado Department of Education
Supplementary Schedule**

Auditors' integrity report – This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.

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Independent Auditors' Report on Auditors' Integrity Report

Board of Education
Brush School District No. RE-2(J)
Brush, Colorado

We have audited the financial statements of the Brush School District No. RE-2(J) (the District) as of and for the year ended June 30, 2019, and our report thereon dated December 4, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1-3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
December 4, 2019



Colorado Department of Education

Auditors Integrity Report

District: 2395 - Brush RE-2(J)

Fiscal Year 2018-19

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	9,846,646	16,367,222	13,637,418	12,576,450
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub-Total	9,846,646	16,367,222	13,637,418	12,576,450
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	746,409	746,409	0
06 Supplemental Cap Const. Tech. Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	180,184	774,077	743,801	210,460
22 Govt Designated-Purpose Grants Fund	0	355,293	355,293	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	371,178	371,178	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	3,666,204	3,549,401	3,757,045	3,458,559
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	34,482,023	14,964,497	36,281,663	13,164,856
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const. Tech. Main Fund	0	0	0	0
Totals	48,175,057	37,128,077	55,892,809	29,410,326
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	278,765	131,692	114,745	295,712
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	222,907	544,937	495,846	271,998
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	501,672	676,628	610,591	567,710

FINAL