

**HOLLY SCHOOL DISTRICT RE-3  
HOLLY, COLORADO**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2019**

**HOLLY SCHOOL DISTRICT RE-3  
ROSTER OF SCHOOL OFFICIALS**

**JUNE 30, 2019**

**BOARD OF EDUCATION**

Neil Fletcher - President  
Jesse Frey - Vice President  
Tanya Rushton - Secretary  
Craig Schwab - Treasurer  
Kevin Humrich - Director

**ADMINISTRATIVE STAFF**

Jackie Crabtree  
Superintendent of Schools

Dusty Heck  
Principal of Schools

Shelbie Schenck  
Business Manager

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**FINANCIAL SECTION**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Required Supplementary Information)

## **HOLLY SCHOOL DISTRICT RE-3 MANAGEMENT'S DISCUSSION & ANALYSIS**

This section of the Holly School District RE-3's financial report offers readers of the District's financial statements its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

The District's a net pension and OPEB liability was \$5,182,126. Under GASB 68 the District's proportionate share of the net pension and OPEB liability of the Colorado state retirement system, the Public Employees Retirement Association, is recorded as a liability of the District. Ending net position of governmental activities increased by \$94,040 to \$19,038,872.

### **Financial Highlights**

The assets of Holly School District RE-3 exceeded its liabilities at the close of June 30, 2019 by \$18,966,712 (net position) as reported in the government-wide financial statements.

Expenses of \$3,390,448 were offset by program specific charges, grants and contributions of \$21,635. General revenues from amounted to \$3,462,853.

The General Fund reported a fund balance of \$3,867,814 at the close of June 30, 2019. Fund balance increased by \$223,488 over the prior year. This District strives to adopt a balanced budget, which will both meet and exceed the needs of the students and still help provide a stable foundation for the District.

### **Overview of the Financial Statements**

The Holly School District RE-3 basic financial statements are comprised of three components

1. Government wide financial statements - focusing on long-term and short-term information about the District's overall financial status including the General Fund, Food Service Fund, Capital Project Funds, and Bond Fund.
2. Fund financial statements - focusing on individual parts of the government, reporting the District's operations in more detail than the government wide-statements
3. Notes to the financial statements - required supplemental information that further explain and supports the information in the financial statements

### **Government-wide Statements**

The financial statements provided are designed to supply the reader an overview of the District's financial activities similar to those statements used in the private sector. The government-wide statements relate to those activities directly related to the education of the students. The statement of net position includes all of the government's assets, liabilities and deferred flows. All of the current year revenues and expenses are accounted for in the statement of activities.

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets, liabilities and deferred flows, is one indicator of the District's financial health. Over time, increases or decreases in the District's net position measures whether the financial health is improving or deteriorating. Readers also need to consider additional non-fictional factors in rating the district overall such as changes in the District's tax base, student enrollment, and overall condition of buildings.

**TABLE 1 - CONDENSED STATEMENT OF NET POSITION**

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current Assets	\$ 4,957,883	\$ 4,770,543
Other Assets	<u>23,945,289</u>	<u>24,846,262</u>
Total Assets	<u>28,903,172</u>	<u>29,616,805</u>
Deferred Outflows of Financial Resources	<u>2,052,746</u>	<u>3,104,412</u>
Current Liabilities	312,617	316,594
Long-Term Liabilities	<u>7,544,411</u>	<u>12,631,293</u>
Total Liabilities	<u>7,857,028</u>	<u>12,947,887</u>
Deferred Inflows of Financial Resources	<u>4,060,018</u>	<u>828,497</u>
Net Investment in Capital Assets	21,583,004	22,333,637
Restricted Net Position	884,085	757,865
Unrestricted Net Position	<u>(3,428,217)</u>	<u>(4,146,669)</u>
<b>Total Net Position (Deficit)</b>	<b><u>\$ 19,038,872</u></b>	<b><u>\$18,944,833</u></b>

The government-wide financial statements of the District include the governmental activities. Most of the District's basic services are included within the governmental activities, such as instruction, support, general administration, food service, and capital outlay. The statements also indicate that funding for these services come primarily from state equalization, property tax, and grant sources.

**TABLE 2 - CONDENSED STATEMENT OF ACTIVITIES**

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
<b>Program Revenues:</b>		
Charges for Services	\$ 46,983	\$ 67,765
Operating Grants	477,613	598,075
Capital Grants	<u>(502,961)</u>	<u>(576,033)</u>
Total Program Revenues	<u>21,635</u>	<u>89,807</u>
<b>General Revenues:</b>		
Taxes	1,037,704	1,011,774
State Equalization	2,244,214	2,109,571
Investment Income	66,156	26,992
Insurance Proceeds	19,407	4,241
Miscellaneous	<u>95,371</u>	<u>69,301</u>
Total General Revenues	<u>3,462,852</u>	<u>3,221,879</u>
<b>Total Revenues</b>	<b><u>3,484,487</u></b>	<b><u>3,311,686</u></b>
<b>Expenses</b>		
Instruction	1,669,383	3,064,502
Supporting Services	1,622,029	2,132,782
Interest on Long Term Debt	<u>99,036</u>	<u>105,127</u>
<b>Total Expenses</b>	<b><u>3,390,448</u></b>	<b><u>5,302,411</u></b>
<b>Change in Net Position</b>	<b>94,039</b>	<b>(1,990,725)</b>
<b>Net Position - Beginning</b>	<b><u>18,944,833</u></b>	<b><u>20,935,558</u></b>
<b>Net Position (Deficit) - Ending</b>	<b><u>\$ 19,038,872</u></b>	<b><u>\$18,944,833</u></b>

## **Fund Financial Statements**

Fund financial statements are designed to display compliance with finance-related legal requirements. A fund is a grouping of related accounts designed to keep control over resources segregated for specific activities or objectives. The Holly School District uses fund accounting to guarantee and prove compliance. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

## **Governmental Funds**

Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements emphasize short-term financial resources and fund balances. Such information is used to evaluate the District's short-term financing requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Comparison of the governmental funds with the government-wide funds may allow a better understanding of the long-term impact of the District's near-term financing decisions.

Holly School District maintains the following fund types:

General Fund - accounts for all financial resources except for those legally required to be accounted for separately.

Colorado Preschool Project Fund (CPP) - reported as part of the General Fund)- accounts for all financial resources related to preschool students identified by the CPP program.

Pupil Activity Agency Fund - accounts for all financial resources held by special interest groups such as clubs, organizations, and classes.

Food Service Fund - accounts for all financial resources related to the operation of the school lunch program.

Bond Fund- tracks the tax income from the bonds and the payments to the holding company.

Capital Reserve/Capital Project Fund - accounts for resources to be used for capital items.

## **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

## **Required Supplementary Information**

The district adopts an annual appropriated budget for each of the individual governmental funds. A budgetary comparison schedule for the general fund is included in the fund financial statements to demonstrate compliance with the adopted budget. Also the remaining governmental funds budgetary comparisons are reported as other supplemental information.

## **Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Holly School District, assets exceeded liabilities by \$19,038,873 at the close of business on June 30, 2019.

Holly School District reported assets consisting of current assets of \$4,957,883 and net capital assets of \$3,896,311. Current assets include cash and cash equivalents primarily in the General Fund. The ratio of current assets to current liabilities of 15 to 1 indicates the district's ability to meet current obligations.

The District's total net position on June 30, 2019 was \$9,038,872. Of the District's net position, \$21,583,004 reflects investment in capital assets (land, buildings, infrastructure, machinery, and equipment, net debt). The District uses capital assets to provide services to students. Thus these assets are not available for future spending. The unrestricted net position of \$(3,428,217) may be used to meet the District's ongoing financial obligations.

	<u>Balance 06/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/19</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 110,000	\$ -	\$ -	\$ 110,000
Capital assets being depreciated:				
Buildings	4,569,672		100,000	4,469,672
Equipment	3,156,470	-	-	3,156,470
Food Service equipment	36,934	-	-	36,934
Transportation equipment	833,789	106,408	40,500	899,697
Land Improvements	799,223	-	-	799,223
Total capital assets being depreciated	<u>\$ 9,396,088</u>	<u>\$ 106,408</u>	<u>\$ 140,500</u>	<u>\$ 9,361,996</u>
Accumulated Depreciation				
Buildings	\$ (2,103,867)	\$ (113,155)	\$ (100,000)	\$ (2,117,022)
Equipment	(2,481,077)	(235,078)	-	(2,716,155)
Food Service equipment	(35,833)	(551)	-	(36,384)
Transportation equipment	(389,506)	(50,008)	(37,200)	(402,314)
Land Improvements	(279,650)	(24,160)	-	(303,810)
Total accumulated depreciation	<u>\$ (5,289,933)</u>	<u>\$ (422,952)</u>	<u>\$ (137,200)</u>	<u>\$ (5,575,685)</u>
<b>Net Capital Assets</b>	<u><b>\$ 4,216,155</b></u>	<u><b>\$ (316,544)</b></u>	<u><b>\$ 3,300</b></u>	<u><b>\$ 3,896,311</b></u>

The District also has three lease agreements for copy machines. The junior high/senior high copier lease is with Canon Financial Services, the elementary copier lease is with Gobins, and the administrative copier lease is with Business Solutions. All are operating leases.

#### Long-term Debt

The District issued \$3,417,833 in General Obligation Bonds in 2010 as matching money for a BEST construction grant. The outstanding balance at year-end was \$2,362,285.

	<u>Balance 07/01/18</u>	<u>Advances</u>	<u>Payments</u>	<u>Balance 06/30/19</u>	<u>Current Portion</u>
General obligation bonds, Series 2010	\$ 2,512,625	\$ -	\$ 150,340	\$ 2,362,285	\$ 156,477
PERA Net Pension Liability	9,892,759	-	4,957,137	4,935,622	-
OPEB Liability	225,909	20,595	-	246,504	-
<b>Total</b>	<u><b>\$ 12,631,293</b></u>	<u><b>\$ 20,595</b></u>	<u><b>\$ 5,107,477</b></u>	<u><b>\$ 7,544,411</b></u>	<u><b>\$ 156,477</b></u>

#### General Fund Budgetary Highlights

Holly School District Re-3 adopted a budget of \$6,753,516 the 2018-2019 fiscal year. The final budget and budget resolution was adopted on December 10, 2018.

The District purchased two new 2019 Dodge mini vans. The vans will be used to replace a 2001 and a 2006 ford mini to provide newer and more reliable vehicles with less miles to transport staff and students. The school district also purchased a new 2020 Thomas 14 passenger route bus. The district increased the salary schedule for the classified staff as well as the district wide substitute teachers' pay scale. REAP money was used purchase iPads to upgrade technology in the elementary school.

#### Next Year's Budget and Future Economic Status of the District

The District is also looking to purchase an additional 14 passenger activity bus. The REAP money will be used to upgrade technology and purchase additional chromebooks for the Junior High and High School.

#### Requests for Information

This financial report is designed to demonstrate accountability and provide the District's citizens, taxpayers, customers, and creditors a general overview of the District's finances. Questions or comments concerning this report may be sent to Jackie Crabtree, Superintendent of Schools, PO Box 608, Holly, CO 81047 or call 719-537-6616.

# Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants  
Governmental Audit Quality Center  
and Private Company Practice Section

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Board of Education  
Holly School District RE-3  
Holly, Colorado

## Independent Auditors' Report

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the related notes to the financial statements of the Holly School District RE-3, Colorado, as of and for the year ended June 30, 2019, which collectively comprise the basic financial statements of the District, 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 the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend 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 controls. 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.

**Opinion**

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 Holly School District RE-3, Colorado, as of June 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Holly School District RE-3's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters**

**Required Supplementary Information – Management Discussion and Analysis and Pension Schedules (Unaudited)**

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1-M4 and pension schedules on pages 46-49 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.

**Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 50-52 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. In addition, the combining and individual fund schedules on pages 53-58 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The 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.

Such 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 basic 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.

**Report on Other Legal and Regulatory Requirements**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Colorado Department of Education Auditors' Electronic Financial Data Integrity Check Figures and Bolded Balance Sheet reports pages 59-62 are presented for state regulatory compliance and are 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Mayberry + Company, LLC*

Englewood, CO  
October 17, 2019

### **BASIC FINANCIAL STATEMENTS**

The Basic Financial Statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all government-wide and fund level activity as of June 30, 2019.





HOLLY SCHOOL DISTRICT RE-3  
 Balance Sheet  
 Governmental Funds  
 June 30, 2019  
 (With Comparative Totals for June 30, 2018)

	Debt Service			Totals	
	General Fund	Bond	Other	2019	2018
		Redemption	Governmental		
	Fund	Funds			
<b>ASSETS</b>					
Cash and Investments	\$ 4,121,174	\$ 575,926	\$ 182,001	\$ 4,879,101	\$ 4,668,537
Cash with Fiscal Agent	10,391	3,939	-	14,330	30,848
Accrued Interest	5,867	-	-	5,867	-
Taxes Receivable	38,990	13,340	-	52,330	48,532
Interfund Accounts Receivable	6,469	-	-	6,469	-
Grants Receivable	4,542	-	-	4,542	16,091
Other Accounts Receivable	-	-	-	-	1,907
Inventory	-	-	1,713	1,713	4,628
<b>TOTAL ASSETS</b>	<b>\$ 4,187,433</b>	<b>\$ 593,205</b>	<b>\$ 183,714</b>	<b>\$ 4,964,352</b>	<b>\$ 4,770,543</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>					
<b>Liabilities</b>					
Interfund Accounts Payable	\$ 6,469	\$ -	\$ -	\$ 6,469	\$ -
Accounts Payable	9,867	-	-	9,867	33,027
Accrued Salaries & Benefits	274,034	-	15,082	289,116	275,020
Unearned Revenue	-	-	1,566	1,566	963
Unearned Grant Revenue	4,032	-	-	4,032	4,032
<b>Total Liabilities</b>	<b>294,402</b>	<b>-</b>	<b>16,648</b>	<b>311,050</b>	<b>313,042</b>
<b>Deferred Inflows of Financial Resources</b>					
Deferred Revenue	25,217	7,802	-	33,019	96,043
<b>Fund Balance</b>					
Nonspendable Fund Balance	-	-	1,713	1,713	4,628
Restricted Fund Balance					
Restricted for Debt Service	-	585,403	-	585,403	-
Restricted for TABOR Emergency	111,000	-	-	111,000	101,000
Restricted for Colorado Preschool Program	6,469	-	-	6,469	-
Restricted Other	179,500	-	-	179,500	117,900
Committed Fund Balance					
Comitted for Fund Purposes	-	-	27,460	66,905	59,361
Assigned Fund Balance					
Other Assigned Fund Balance	-	-	137,893	98,448	593,872
Unassigned Fund Balance	3,570,845	-	-	3,570,845	3,484,697
<b>Total Fund Balance</b>	<b>3,867,814</b>	<b>585,403</b>	<b>167,066</b>	<b>4,620,283</b>	<b>4,361,458</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 4,187,433</b>	<b>\$ 593,205</b>	<b>\$ 183,714</b>	<b>\$ 4,964,352</b>	<b>\$ 4,770,543</b>

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

**HOLLY SCHOOL DISTRICT RE-3**  
**Reconciliation of Governmental Fund Balances**  
**to Governmental Activities Net Position**  
**June 30, 2019**

Fund Balance - Governmental Funds		\$	4,620,283
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds			
Capital assets, not being depreciated	\$	110,000	
Capital assets, being depreciated		9,361,996	
Accumulated depreciation		<u>(5,575,685)</u>	3,896,311
Certain long-term pension and OPEB related costs and adjustments are not available to pay or are payable currently and are therefore not reported in the funds			
<b>PERA Pension</b>			
Net pension deferred outflows		2,027,935	
Net pension liability		(4,935,622)	
Net pension deferred inflows		<u>(4,054,140)</u>	(6,961,827)
<b>PERA Health Care Trust Fund (OPEB)</b>			
Net OPEB deferred outflows		24,811	
Net OPEB liability		(246,504)	
Net OPEB deferred inflows		<u>(5,878)</u>	(227,571)
Certain long-term assets are not available to pay for current year expenditures and are therefore not reported in the funds			
Long-Term BEST Grant Receivable			20,048,978
Certain deferrals are reported at the fund level as they are not available to finance current operations. These amounts are reported as revenues at the activity level			
Deferred Property Taxes			33,019
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.			
Bonds payable		(2,362,285)	
Accrued interest payable		<u>(8,036)</u>	<u>(2,370,321)</u>
Total Net Position - Governmental Activities			<u>\$ 19,038,872</u>

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

HOLLY SCHOOL DISTRICT RE-3  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

	Debt Service			Totals	
	General Fund	Bond Redemption	Other	2019	2018
		Fund	Governmental Funds		
<b>REVENUES</b>					
Local Sources	\$ 1,069,826	\$ 296,325	\$ 14,053	\$ 1,380,204	\$ 1,219,548
Intermediate Sources	5,178	-	-	5,178	5,166
State Sources	2,511,447	-	3,802	2,515,249	2,359,583
Federal Sources	119,783	-	112,490	232,273	254,498
<b>TOTAL REVENUES</b>	<u>3,706,234</u>	<u>296,325</u>	<u>130,345</u>	<u>4,132,904</u>	<u>3,838,795</u>
<b>EXPENDITURES</b>					
Instruction	1,892,542	-	-	1,892,542	1,727,288
Pupil Support	60,219	-	-	60,219	112,030
Staff Support	46,522	-	-	46,522	52,887
General Administration	165,266	-	-	165,266	198,952
School Administration	154,281	-	-	154,281	130,595
Business Services	63,053	-	-	63,053	60,167
Operations and Maintenance	753,658	-	-	753,658	463,570
Transportation	280,259	-	-	280,259	338,227
Other Central Support	-	-	-	-	21,191
Food Service	-	-	172,624	172,624	160,555
Community Support	35,518	-	-	35,518	35,608
Facilities	250	-	-	250	304
Debt Service	-	249,887	-	249,887	250,062
<b>TOTAL EXPENDITURES</b>	<u>3,451,568</u>	<u>249,887</u>	<u>172,624</u>	<u>3,874,079</u>	<u>3,551,436</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	254,666	46,438	(42,279)	258,825	287,359
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In (Out) - net	(31,178)	-	31,178	-	-
<b>CHANGE IN FUND BALANCE</b>	223,488	46,438	(11,101)	258,825	287,359
<b>BEGINNING FUND BALANCE</b>	<u>3,644,326</u>	<u>538,965</u>	<u>178,167</u>	<u>4,361,458</u>	<u>4,074,099</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 3,867,814</u>	<u>\$ 585,403</u>	<u>\$ 167,066</u>	<u>\$ 4,620,283</u>	<u>\$ 4,361,458</u>

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

**HOLLY SCHOOL DISTRICT RE-3**  
**Reconciliation of Governmental Changes in Fund Balance**  
**to Governmental Activities Change in Net Position**  
**For the Year Ended June 30, 2019**

Change in Fund Balance - Governmental Funds \$ 258,825

Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level

Capitalized Asset Purchases	\$ 106,408	
Depreciation Expense	(422,951)	
Gain (Loss) on Asset Disposals	<u>(3,300)</u>	(319,843)

Pension and OPEB expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.

**PERA Pension**

Change in deferred pension outflows	(1,065,458)	
Change in net pension liability	4,957,137	
Change in deferred pension inflows	<u>(3,236,775)</u>	654,904

**PERA Health Care Trust Fund (OPEB)**

Change in deferred OPEB outflows	13,792	
Change in net OPEB liability	(20,595)	
Change in deferred OPEB inflows	<u>1,222</u>	(5,581)

The long term BEST grant receivable is being amortized due to depreciation on the underlying building that is the basis of grant.

Amortization of BEST grant receivable		(581,130)
---------------------------------------	--	-----------

Certain long-term assets are not available to pay for current year expenditures and are therefore deferred in the funds

Change in Deferred Revenue		(63,987)
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Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level

Principal payments on bonds payable	150,340	
Change in accrued interest payable	<u>511</u>	<u>150,851</u>

Change in Net Position - Governmental Activities \$ 94,039

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

**HOLLY SCHOOL DISTRICT RE-3**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**Pupil Activity Fund**  
**June 30, 2019**  
**(With Comparative Totals for June 30, 2018)**

	<u>Totals</u>	
	<u>Pupil Activity</u>	
	<u>Agency Fund</u>	<u>2019</u>
		<u>2018</u>
<b>ASSETS</b>		
Cash and Investments	\$ 143,820	\$ 162,592
<b>NET POSITION</b>		
Restricted Net Position (Due to Student Groups)	<u>\$ 143,820</u>	<u>\$ 162,592</u>

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

## HOLLY SCHOOL DISTRICT RE-3

### NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2019

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Holly School District RE-3 (the District) conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies:

##### **Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, the District's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14, "The Financial Reporting Entity."

Based upon the application of these criteria, no additional organizations are includable within the District's reporting entity.

##### **Jointly Governed Organizations**

The District is a participant among fourteen districts in a jointly governed organization to operate the Southeastern Colorado Board of Cooperative Educational Services (BOCES). The BOCES was formed for the purpose of administrative functions among member districts for special education and federal grants. The BOCES is governed by a board of directors consisting of a member of the board of education and the superintendent from each of the participating members. The District does not have an ongoing financial interest in or ongoing financial responsibility for the BOCES. Financial statements for the BOCES can be obtained from the BOCES administrative offices at: 703 South 3<sup>rd</sup> Street, Lamar, CO 81052. The District paid total assessments of \$40,172 to the BOCES for the year ended June 30, 2019.

##### **Basis of Presentation**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the District as a whole. The reporting information includes all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not present any business type activities.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

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

**Basis of Presentation** (Continued)

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements**

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The fiduciary funds are presented separately.

The District reports the following major governmental funds:

General Fund – This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service (Bond Redemption) – This fund is used to account for the repayment of the District's general obligation indebtedness.

In addition, the District reports the following nonmajor governmental funds:

Special Revenue (Food Service) Fund – This fund is used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are restricted to expenditures for specified purposes, in this case the District's Food Service operation.

Capital Project (Capital Reserve) – This fund accounts for the District's routine capital projects.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

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

**Measurement Focus and Basis of Accounting**

The District reports the following fiduciary funds:

Agency Funds (Pupil Activity Funds) – These funds are used to account for the money held in trust by the District for student organizations. These funds are custodial and do not measure the results of operations.

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the same time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements**

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available as allowed by the per pupil operating revenue formula approved by the State legislature or within sixty days after year end. These revenues could include federal, state, and county grants, and some charges for services. Grants are only recognized to the extent allowable expenditures have been incurred. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

**Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year-end.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

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

**Budgets and Budgetary Accounting** (Continued)

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. By 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.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Budgets are required to be filed with the Commissioner of Education within thirty days after the beginning of the fiscal year.
- Budgets may be revised until January 31st of the budget year.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted and amended by the Board of Education.
- Encumbrance accounting is not utilized.

**Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance**

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories – Inventory of the proprietary fund is valued at the lower of cost (first-in, first-out) or market.

Due To and Due From Other Funds – Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

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

**Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance** (Continued)

Capital Assets – Capital assets used in governmental activities operations are shown on the government-wide financial statements. These assets are not shown in the governmental funds and are therefore listed as a reconciling item between the two presentations. Property and equipment acquired or constructed for governmental fund operations are recorded as expenditures in the fund making the disbursement and capitalized at cost in the government-wide presentation. No depreciation has been provided on capital assets in the governmental funds.

Property and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

The District capitalizes assets with an original value of at least \$5,000 and a useful life in excess of one year. Depreciation has been provided over the estimated useful lives of the underlying asset in the government-wide presentation. Depreciation is computed on a straight-line basis based on the following useful lives:

Buildings and Site Improvements	10-80 years
Vehicles	10-25 years
Other Equipment	5-15 years

Taxes Receivable – Property taxes are recognized as revenue in the year in which they are intended to finance operating expenses, pursuant to the Colorado school district funding formula. As 2018 property taxes were both measurable and available at June 30, 2019, the District has recognized a receivable (net of uncollectible portion) for property taxes levied January 1, 2019 but not collected by June 30, 2019. For those amounts not received within 60 days subsequent to year end, a deferred inflow was reported at the fund level.

Accumulated unpaid sick and vacation and other pay are serviced from other revenues in the General Fund. As the District only allows a carryover of 10 days of unused sick leave that is not paid upon termination, no liability has been recorded in the financial statements.

Unearned Revenues – Unearned revenues are amounts that have been collected but have not met the requirements needed for revenue recognition.

Long-Term Debt – The District’s general obligation bonds are accounted for in the Bond Redemption Fund. Principal repayments are shown as expenditures in the fund level financial statements. For the government-wide presentation, principal payments are reclassified as reductions in the outstanding obligation balances.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

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

**Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (Continued)**

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has items that qualify for reporting in this category, all related to outstanding pension and OPEB obligations and further described in Note 7 and 9.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows related to pension and OPEB liabilities as further described in Note 7 and 9 as well as deferred inflows for property taxes at the fund level.

Net Position/Fund Balances - In the government-wide financial statements and for the proprietary fund statements, net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balance are reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education, and at their highest level of action are reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

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

**Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (Continued)**

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as "assigned" fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All other remaining governmental balances are reported as unassigned.

**Net Position/ Fund Balance and Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Revenues and Expenditures/Expenses**

Revenues and Expenditures/Expenses – Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Property Tax Revenues – Property taxes are levied on December 15 based on the assessed value of property as certified by the county assessor on August 17. Assessed values are an approximation of market value. The property tax may be paid in total by April 30 or one-half payment by February 28 and the second half by June 15. The billings are considered due on these dates. The bill becomes delinquent and penalties and interest may be assessed by the County Treasurer on the post mark day following these dates. The tax sale date is the first Thursday of November.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

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

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the District’s financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to understand.

**NOTE 2: CASH AND INVESTMENTS**

A reconciliation of the cash components on the balance sheet to the cash categories in this footnote are as follows:

Deposits	\$ 2,168,554
Investments	2,854,187
Cash on hand	<u>180</u>
<b>Total</b>	<b><u>\$ 5,022,921</u></b>
Government-wide - unrestricted	\$ 4,879,101
Fiduciary	<u>143,820</u>
<b>Total</b>	<b><u>\$ 5,022,921</u></b>

**Deposits**

**Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The District’s deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution’s internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2019, all of the District’s deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

HOLLY SCHOOL DISTRICT RE-3

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments**

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 950,000	\$ 950,000
PDPA collateralized*	<u>2,327,399</u>	<u>2,324,109</u>
<b>Total</b>	<b><u>\$ 3,277,399</u></b>	<b><u>\$ 3,274,109</u></b>

\*Not in District's name

The District invested in the Colorado Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of Colotrust consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by Colotrust. The fair value of the position in the pool is the same as the valuation of the pool shares.

Credit Risk

Colorado statutes specify which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of the U.S. 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

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above. For the fiscal year ended June 30, 2019, the District did not have any investments requiring disclosure. At June 30, 2019, the District's investment in the Colorado Government Liquid Assets Trust (Colotrust) was rated AAAM by Standard & Poor's.

**HOLLY SCHOOL DISTRICT RE-3**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2019, the District did not have any investments requiring safekeeping.

**NOTE 3: INVENTORIES**

Food Service Fund inventory of \$1,713 as of June 30, 2019, consisted of \$556 of non-food inventory and \$1,157 of purchased food and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

**HOLLY SCHOOL DISTRICT RE-3**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 4: CAPITAL ASSETS**

Activity for capital assets is summarized below:

	<u>Balance</u> <u>06/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/19</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 110,000	\$ -	\$ -	\$ 110,000
Capital assets being depreciated:				
Buildings	4,569,672		100,000	4,469,672
Equipment	3,156,470	-	-	3,156,470
Food Service equipment	36,934	-	-	36,934
Transportation equipment	833,789	106,408	40,500	899,697
Land Improvements	799,223	-	-	799,223
Total capital assets being depreciated	<u>\$ 9,396,088</u>	<u>\$ 106,408</u>	<u>\$ 140,500</u>	<u>\$ 9,361,996</u>
Accumulated Depreciation				
Buildings	\$ (2,103,867)	\$ (113,155)	\$ (100,000)	\$ (2,117,022)
Equipment	(2,481,077)	(235,078)	-	(2,716,155)
Food Service equipment	(35,833)	(551)	-	(36,384)
Transportation equipment	(389,506)	(50,008)	(37,200)	(402,314)
Land Improvements	(279,650)	(24,160)	-	(303,810)
Total accumulated depreciation	<u>\$ (5,289,933)</u>	<u>\$ (422,952)</u>	<u>\$ (137,200)</u>	<u>\$ (5,575,685)</u>
<b>Net Capital Assets</b>	<u><b>\$ 4,216,155</b></u>	<u><b>\$ (316,544)</b></u>	<u><b>\$ 3,300</b></u>	<u><b>\$ 3,896,311</b></u>

The District has entered into a BEST grant agreement with the State of Colorado as further described in Note 13. For the prior year financial statement presentation, the State’s portion of the building was presented as a capital asset and was depreciated. Since that portion of the District’s facilities will not be owned by the District until the State repays its outstanding debt obligation related to the construction, the State portion has been reclassified as a long-term grant receivable that will be amortized through the debt obligation period and will be added to the District’s capital assets upon the repayment.

Depreciation has been allocated to the District’s operations in the activity level presentation as follows:

Instruction	\$ 215,348
Supporting services	<u>207,604</u>
<b>Total depreciation</b>	<u><b>\$ 422,952</b></u>

**HOLLY SCHOOL DISTRICT RE-3**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 5: ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2019 is reflected as a liability in the respective funds in the accompanying financial statements as follows:

General Fund	\$ 274,034
Food Service Fund	<u>15,082</u>
Total Accrued Salaries and Benefits	<u>\$ 289,116</u>

**NOTE 6: LONG-TERM DEBT**

The following is a summary of long-term obligation transactions of the District for the year ended June 30, 2019:

	<u>Balance 07/01/18</u>	<u>Advances</u>	<u>Payments</u>	<u>Balance 06/30/19</u>	<u>Current Portion</u>
General obligation bonds, Series 2010	\$ 2,512,625	\$ -	\$ 150,340	\$ 2,362,285	\$ 156,477
PERA Net Pension Liability	9,892,759	-	4,957,137	4,935,622	-
OPEB Liability	<u>225,909</u>	<u>20,595</u>	<u>-</u>	<u>246,504</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 12,631,293</u></b>	<b><u>\$ 20,595</u></b>	<b><u>\$ 5,107,477</u></b>	<b><u>\$ 7,544,411</u></b>	<b><u>\$ 156,477</u></b>

An interest summary of the District's long-term debt is as follows:

	<u>Accrued Interest</u>	<u>Interest Paid</u>	<u>Interest Expense</u>	<u>PY Accrued</u>
General obligation bonds, Series 2010	<u>\$ 8,036</u>	<u>\$ 99,497</u>	<u>\$ 98,986</u>	<u>\$ 8,547</u>

In 2010, the District issued \$3,417,833 of general obligation bonds to refund bonds issued in 1999. Principal is due annually on December 1, and interest at rates from 1.50% to 3.30% is due semiannually on June 1 and December 1. The District realized \$45,385 of net present value savings on this refinancing. Payments are made through the Bond Redemption Fund of the District. Bond payments, to maturity, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 156,477	\$ 93,235	\$ 249,712
2021	162,865	86,717	249,582
2022	169,513	79,933	249,446
2023	176,432	72,872	249,304
2024	183,634	65,523	249,157
2025-2029	1,036,920	206,444	1,243,364
2030-2031	<u>476,444</u>	<u>19,643</u>	<u>496,087</u>
<b>Total</b>	<b><u>\$ 2,362,285</u></b>	<b><u>\$ 624,367</u></b>	<b><u>\$ 2,986,652</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 7: 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](http://www.leg.colorado.gov).

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

**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](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2018.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

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 the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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

*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. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

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**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

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

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

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a non-employer 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 \$293,142 for the year ended June 30, 2019.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

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

At June 30, 2019, the District reported a liability of \$4,935,622 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a non-employer 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 non-employer 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	\$ (4,935,622)
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	\$ (593,698)
Total	\$ (5,529,320)

At December 31, 2018, the District proportion was 0.02787 percent, which was a decrease of 0.00272 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension revenue of \$377,195, primarily related to assumption changes in proportion from non-employer contributions, and revenue of \$40,083 for support from the State of Colorado as a non-employer contributing entity. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 175,289	\$ -
Changes of assumptions or other inputs	\$ 1,020,835	\$ (3,069,426)
Net difference between projected and actual earnings on pension plan investments	\$ 680,927	\$ (438,463)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (546,251)
Contributions subsequent to the measurement date	\$ 150,884	\$ -
Total	\$ 2,027,935	\$ (4,054,140)

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

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

\$150,884 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Fiscal Year Totals
2020	\$ (334,857)
2021	(1,190,241)
2022	(799,151)
2023	147,160
Total	\$ (2,177,089)

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

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.90-9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	4.78%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2% compounded annually
PERA benefit struture hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

Discount rate	7.25%
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 prior to 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

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

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:

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

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

- 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. 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

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

*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 (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension asset (liability)	\$ (6,274,799)	\$ (4,935,622)	\$ (3,811,826)

*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](http://www.copera.org/investments/pera-financial-reports).

**NOTE 8: 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 for the Plan. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://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 contribute to the plan. Employees are immediately vested in their own contributions, employer contributions, if any, and investment earnings. For the year ended June 30, 2019 program members contributed \$7,335.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS**

Health Care Trust Fund

**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](http://www.copera.org/investments/pera-financial-reports).

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**General Information about the OPEB Plan (Continued)**

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

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

*PERA Benefit Structure*

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

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

*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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**General Information about the OPEB Plan (Continued)**

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 \$12,439 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$246,504 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The 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 0.01819 percent, which was an increase of 0.00074 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$21,551. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

HOLLY SCHOOL DISTRICT RE-3

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 2,599	\$ (361)
Net difference between projected and actual earnings on pension plan investments	\$ 4,372	\$ (2,834)
Changes of assumptions or other inputs	\$ 1,729	\$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ 7,972	\$ (2,669)
Contributions subsequent to the measurement date	\$ 8,043	\$ -
Total	\$ 24,715	\$ (5,864)

\$8,043 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Fiscal Year Totals
2020	\$ 1,966
2021	1,966
2022	1,966
2023	2,911
2024	1,923
2025	76
Total	\$ 10,808

*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:

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

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

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

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

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

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

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

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

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

Healthy, post-retirement mortality assumptions for the 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:

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (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%.

*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:

<b>Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates</b>			
	1% Decrease	Current Discount Rate	1% Increase
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%
Proportionate share of the net OPEB asset (liability)	\$ (239,697)	\$ (246,504)	\$ (254,334)

*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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members.

Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the 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 net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

<b>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate</b>			
	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate share of the net OPEB asset (liability)	\$ (275,817)	\$ (246,504)	\$ (221,445)

*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](http://www.copera.org/investments/pera-financial-reports).

**NOTE 10: RISK MANAGEMENT**

Property and Liability Coverage

The District belongs to the Colorado School District Self Insurance Pool (“CSDSIP”) that was formed in 1981 to individual school districts more buying power and financial stability. By partnering with districts across the state, members gain better access to essential coverage at a competitive price, and more control over the entire risk management function. The coverage provided by CSDSIP is property, crime, general liability, auto liability and physical damage, and errors and omissions. CSDSIP became self-administered in 1997. The board of directors is comprised of nine persons who are district school board members, superintendents, or district business officials. Each member’s premium contribution is determined by CSDSIP based on factors including, but not limited to, the aggregate CSDSIP claims, the cost of administrative and other operating expenses, the number of participants, operating and reserve fund adequacy, investment income and reinsurance expense and profit sharing.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 10: RISK MANAGEMENT (Continued)**

**Property and Liability Coverage (Continued)**

Reporting to the Division of Insurance, as well as an audit and actuarial study is conducted annually. These reports may be obtained by contacting the CSDSIP administrative offices at 6857 South Spruce Street, Centennial, CO 80112. The District has not materially changed its coverage from previous years. The District has not recorded any liability for unpaid claims at June 30, 2019.

CSDSIP has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. The ultimate liability to the District resulting from claims not covered by the pool is not recently determinable. Management is of the opinion that the final outcome of such claims, of any, will not have a material adverse effect on the District's financial statements.

**Workers Compensation**

The District carries commercial insurance for worker's compensation coverage. Risk of loss transfers to the carrier.

**Health Insurance**

The District currently carries commercial insurance for employee health coverage with risk of loss transferred to the carrier.

**NOTE 11: SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Claims and Judgments - The District participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units and are subject to the various rules and regulations of the grantor agencies. Expenditures financed by grants are subject to audit and adjustment by the appropriate grantor agency. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**HOLLY SCHOOL DISTRICT RE-3**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2019**

**NOTE 11: SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES** (Continued)

TABOR Amendment - In November 1992, Colorado voters passed the TABOR Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations. The District is subject to the TABOR Amendment. In the November 1996 election, the District's electorate allowed the District to collect, retain and expand all revenues collected, notwithstanding the limits of the Amendment. The TABOR Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment. The District has recorded a \$111,000 reserve in the General Fund to fully fund its 3% emergency reserve required by TABOR.

**NOTE 12: INTERFUND ACTIVITY**

The District has recorded the following routine operating transfers through June 30, 2019.

Interfund Transfers	
General Fund	
Transfer to Food Service	\$ (3,178)
Transfer to Capital Reserve	(28,000)
Food Service Fund	
Transfer from General Fund	3,178
Capital Reserve Projects Fund	
Transfer from General Fund	<u>28,000</u>
<b>Net Interfund Transfers</b>	<b><u><u>\$ -</u></u></b>

**NOTE 13: BEST GRANT/FACILITY IMPROVEMENTS**

The District received a BEST grant through the Colorado Department of Education for facility improvements that commenced during fiscal year 2010 with the District providing an upfront match payment held in escrow of \$3,417,833. The State funded their portion of this program, \$25,064,111 through Certificate of Participation issuances. The State coordinated the payment to the contractors with no funding flowing through the District other than for reimbursable costs that the District incurred. The District will not receive clear title to the improvements until the State has repaid the certificates. At that point, the District will record a capital asset and related accumulated depreciation for the cost of the BEST improvements, along with offsetting reduction of the outstanding long-term grant receivable.

The improvements completed by the BEST grant totaled \$23,245,193, and have a depreciated value of \$20,048,978, as of June 30, 2019. This amount has been recorded as long-term grant receivable as of June 30, 2016. As part of the BEST grant agreement, the District agreed to fund a capital replacement reserve in the amount of \$100 per funded pupil based on the annual October student count, commencing in fiscal year 2013. The amount set aside as of June 30, 2019 was \$179,500.

**HOLLY SCHOOL DISTRICT RE-3**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 14: DEFICIT UNRESTRICTED NET POSTION**

The Governmental Activities has a deficit unrestricted net position of \$3,491,791, primarily due to the PERA net pension liability of \$4,935,622 and OPEB net liability of \$246,504 further described in Notes 7 and 9. As the District has no control over pension benefits or contribution rates, we expect this deficit to continue going forward.

**NOTE 15: BUDGET VIOLATION**

The District's expenditures exceeded appropriations in the Pupil Activity Agency Fund by \$2,736. This may be a violation of state statutes.

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**REQUIRED SUPPLEMENTARY INFORMATION**

Pension and OPEB Schedules (Unaudited)

HOLLY SCHOOL DISTRICT RE-3

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY)

PERA Pension Plan

Last 10 Fiscal Years<sup>(1)</sup>

Fiscal Year Ended	District's	District's	Non-employer	Total	District's	District's	Plan fiduciary
	proportion of	proportionate	contributing	proportionate		covered payroll	proportionate
	the net	share of the net	entity's total	share		share of the net	percentage of
	pension asset	pension asset	proportionate	associated with		pension asset	the total Pension
	(liability)	(liability)	share of the net	District		(liability)	liability
			(liability)				
June 30, 2014	0.032566%	\$ (4,153,781)	\$ -	\$ (4,153,781)	\$ 1,312,838	316.40%	64.07%
June 30, 2015	0.033508%	\$ (4,541,470)	\$ -	\$ (4,541,470)	\$ 1,403,748	323.52%	62.84%
June 30, 2016	0.032289%	\$ (4,938,309)	\$ -	\$ (4,938,309)	\$ 1,407,129	350.95%	59.16%
June 30, 2017	0.311210%	\$ (9,265,877)	\$ -	\$ (9,265,877)	\$ 1,381,519	670.70%	43.13%
June 30, 2018	0.030593%	\$ (9,892,759)	\$ -	\$ (9,892,759)	\$ 1,411,229	701.00%	43.96%
June 30, 2019	0.027874%	\$ (4,935,622)	\$ (593,698)	\$ (5,529,320)	\$ 1,532,370	322.09%	57.01%

**Note:** All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

<sup>(1)</sup> - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

**HOLLY SCHOOL DISTRICT RE-3**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**

**PERA Pension Plan**

**Last 10 Fiscal Years<sup>(1)</sup>**

<b>Fiscal Year Ended</b>	<b>Contractually required contributions</b>	<b>Actual contributions</b>	<b>Contribution deficiency (excess)</b>	<b>District's covered payroll</b>	<b>Contributions as a percentage of covered payroll</b>
June 30, 2014	\$ 203,884	(203,884)	-	\$ 1,312,838	15.53%
June 30, 2015	230,636	(230,636)	-	1,403,748	16.43%
June 30, 2016	243,855	(243,855)	-	1,407,129	17.33%
June 30, 2017	253,232	(253,232)	-	1,381,519	18.33%
June 30, 2018	262,912	(262,912)	-	1,411,229	18.63%
June 30, 2019	293,142	(293,142)	-	1,532,370	19.13%

**Note:** All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

<sup>(1)</sup> - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

HOLLY SCHOOL DISTRICT RE-3

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
 NET OPEB ASSET (LIABILITY)  
 PERA Health Care Trust Fund  
 Last 10 Fiscal Years<sup>(1)</sup>

Fiscal Year Ended	District's proportion of the net OPEB asset (liability)	District's proportionate share of the net OPEB asset (liability)	District's covered payroll	District's proportionate share of the net OPEB asset (liability) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
June 30, 2017	0.017689%	\$ (229,350)	\$ 1,381,519	16.42%	16.70%
June 30, 2018	0.017383%	(225,909)	1,411,229	16.01%	17.53%
June 30, 2019	0.018118%	(246,504)	1,532,370	16.09%	17.03%

**Note:** All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

<sup>(1)</sup> - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

**HOLLY SCHOOL DISTRICT RE-3**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
PERA Health Care Trust Fund  
Last 10 Fiscal Years<sup>(1)</sup>**

<u>Fiscal Year Ended</u>	<u>Contractually required contributions</u>	<u>Actual contributions</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2017	\$ 14,091	\$ (14,091)	\$ -	\$ 1,381,519	1.02%
June 30, 2018	14,395	(14,395)	-	1,411,229	1.02%
June 30, 2019	18,321	(18,321)	-	1,796,182	1.02%

**Note:** All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

<sup>(1)</sup> - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

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**BUDGETARY COMPARISON SCHEDULES**

(Required Supplementary Information)

HOLLY SCHOOL DISTRICT RE-3  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			
	Original & Final		Variance with Final	2018
	Budget	Actual	Budget	Actual
<b>REVENUES</b>				
<b>Local Sources</b>				
Property Taxes	\$ 641,109	\$ 702,920	\$ 61,811	\$ 625,173
Specific Ownership Taxes	87,565	100,865	13,300	96,131
Delinquent Taxes	1,500	3,023	1,523	1,528
Investment Earnings	12,000	64,318	52,318	25,800
Community Service Revenue	12,000	13,688	1,688	18,786
Rent Revenue	6,400	9,575	3,175	57,469
Donations	(7,839)	121,789	129,628	35,941
Sale of Fixed Assets	-	6,524	6,524	-
Overhead Cost Revenue	-	4,929	4,929	2,980
Indirect Cost Revenue	-	5,175	5,175	-
Insurance Proceeds	1,000	19,407	18,407	10,316
Other Local	400,000	17,614	(382,386)	22,611
Total Local Sources	<u>1,153,735</u>	<u>1,069,827</u>	<u>(83,908)</u>	<u>896,735</u>
<b>Intermediate Sources</b>				
Mineral Leases	70	66	(4)	69
Impact Fee Revenue	-	5,112	5,112	5,097
Other Intermediate Source Revenue	6,000	-	(6,000)	-
Total Intermediate Sources	<u>6,070</u>	<u>5,178</u>	<u>(892)</u>	<u>5,166</u>
<b>State Sources</b>				
State Equalization	2,255,367	2,244,214	(11,153)	2,109,571
State Grants from CDE				
ELPA PD	20,778	20,779	1	-
State ELPA	13,687	13,688	1	36,495
Transportation	38,193	39,098	905	29,769
Library Grant	3,500	3,500	-	3,500
SRS	106,652	106,653	1	94,922
Additional At-Risk	-	2,501	2,501	2,551
READ Act Grant	4,174	4,174	-	13,838
Other CDE State Grants	-	-	-	8,630
State Vocational Education	9,762	11,041	1,279	29,847
PERA State Distribution	-	40,083	40,083	-
State Grants Provided through BOCES	21,818	25,716	3,898	27,258
Total State Sources	<u>2,473,931</u>	<u>2,511,447</u>	<u>37,516</u>	<u>2,356,381</u>
<b>Federal Sources</b>				
Federal Grants from CDE				
NCLB Title I, Part A - Improving Basic Programs	73,057	73,057	-	81,179
NCLB Title II, Part A - Teacher & Principal Training	7,907	7,907	-	8,211
Title IV Revenue	10,000	10,000	-	10,000
RTTT Readiness Grant	200	-	(200)	219
NCLB Title VI, Part B - REAP/Rural Education	25,818	25,818	-	24,721
Federal Provided through BOCES	3,000	3,001	1	3,330
Total Federal Sources	<u>119,982</u>	<u>119,783</u>	<u>(199)</u>	<u>127,660</u>
<b>TOTAL REVENUES</b>	<u>3,753,718</u>	<u>3,706,235</u>	<u>(47,483)</u>	<u>3,385,942</u>

(Continued)

See the accompanying Independent Auditors' Report

HOLLY SCHOOL DISTRICT RE-3  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			
	Original & Final Budget	Actual	Variance with Final Budget	2018 Actual
(Continued)				
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Salaries	\$ 1,120,528	\$ 1,102,663	\$ 17,865	\$ 1,038,980
Benefits	479,024	468,424	10,600	428,624
PS - Professional	24,182	21,182	3,000	23,479
PS - Other	149,472	228,717	(79,245)	134,685
Supplies	55,090	42,920	12,170	65,761
Property	28,118	26,225	1,893	32,229
Other Expenses	5,050	2,412	2,638	6,510
Total Instruction	<u>1,861,464</u>	<u>1,892,543</u>	<u>(31,079)</u>	<u>1,730,268</u>
<b>Supporting Services</b>				
<b>Pupil Support</b>				
Salaries	-	-	-	35,000
Benefits	-	-	-	14,894
PS - Professional	19,547	19,547	-	18,978
PS - Other	40,819	40,172	647	41,373
Supplies	-	500	(500)	1,684
Other Expenses	-	-	-	100
Total Pupil Support	<u>60,366</u>	<u>60,219</u>	<u>147</u>	<u>112,029</u>
<b>Staff Support</b>				
Salaries	17,732	17,732	-	15,363
Benefits	11,369	11,265	104	10,387
PS - Other	2,500	2,500	-	2,500
Supplies	9,550	6,083	3,467	8,592
Other Expenses	-	8,942	(8,942)	16,045
Total Staff Support	<u>41,151</u>	<u>46,522</u>	<u>(5,371)</u>	<u>52,887</u>
<b>General Administration</b>				
Salaries	78,500	78,500	-	100,000
Benefits	24,679	24,731	(52)	39,872
PS - Professional	19,500	16,815	2,685	18,801
PS - Other	44,300	41,115	3,185	30,026
Supplies	2,400	448	1,952	-
Other Expenses	12,405	3,657	8,748	10,253
Total General Administration	<u>181,784</u>	<u>165,266</u>	<u>16,518</u>	<u>198,952</u>
<b>School Administration</b>				
Salaries	106,347	106,316	31	78,857
Benefits	45,997	45,473	524	47,695
PS - Other	2,000	1,894	106	1,279
Supplies	3,000	373	2,627	1,964
Other Expenses	625	225	400	800
Total School Administration	<u>157,969</u>	<u>154,281</u>	<u>3,688</u>	<u>130,595</u>

(Continued)  
See the accompanying Independent Auditors' Report

HOLLY SCHOOL DISTRICT RE-3  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			
	Original & Final Budget	Actual	Variance with Final Budget	2018 Actual
	(Continued)			
<b>EXPENDITURES (Continued)</b>				
<b>Supporting Services (Continued)</b>				
<b>Business Services</b>				
Salaries	\$ 39,900	\$ 39,113	\$ 787	\$ 35,000
Benefits	16,225	15,993	232	14,717
PS - Professional	5,000	1,043	3,957	4,920
PS - Other	500	498	2	643
Supplies	3,000	1,477	1,523	1,907
Other Expenses	-	4,929	(4,929)	-
Total Business Services	<u>64,625</u>	<u>63,053</u>	<u>1,572</u>	<u>57,187</u>
<b>Operations and Maintenance</b>				
Salaries	96,280	94,869	1,411	80,394
Benefits	43,508	43,010	498	38,768
PS - Professional	2,000	4,047	(2,047)	14,708
PS - Property	416,000	242,369	173,631	16,795
PS - Other	94,992	96,044	(1,052)	72,476
Supplies	261,111	270,935	(9,824)	239,130
Property	3,000	2,384	616	-
Other Expenses	1,000	-	1,000	1,299
Total Operations and Maintenance	<u>917,891</u>	<u>753,658</u>	<u>164,233</u>	<u>463,570</u>
<b>Transportation</b>				
Salaries	92,936	88,239	4,697	84,469
Benefits	27,839	26,807	1,032	25,486
PS - Professional	5,000	7,999	(2,999)	3,590
PS - Other	12,175	12,175	-	9,065
Supplies	43,000	37,288	5,712	33,950
Property	107,848	106,653	1,195	180,984
Other Expenses	2,000	1,098	902	684
Total Transportation	<u>290,798</u>	<u>280,259</u>	<u>10,539</u>	<u>338,228</u>
<b>Other Central Support</b>				
Salaries	-	-	-	17,618
Benefits	-	-	-	3,573
Total Other Central Support	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,191</u>
<b>Community Support</b>				
Salaries	28,701	22,894	5,807	23,266
Benefits	13,774	12,624	1,150	12,342
Total Community Support	<u>42,475</u>	<u>35,518</u>	<u>6,957</u>	<u>35,608</u>
<b>Facilities/Capital Outlay</b>				
PS - Professional	250	250	-	250
<b>Contingency</b>	3,000,000	-	3,000,000	-
<b>TOTAL EXPENDITURES</b>	<u>6,618,773</u>	<u>3,451,569</u>	<u>3,167,204</u>	<u>3,140,765</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	(2,865,055)	254,666	3,119,721	245,177
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	(134,743)	(31,178)	103,565	(38,662)
<b>CHANGE IN FUND BALANCE</b>	(2,999,798)	223,488	3,223,286	206,515
<b>BEGINNING FUND BALANCE</b>	3,000,000	3,644,326	644,326	3,437,811
<b>ENDING FUND BALANCE</b>	\$ 202	\$ 3,867,814	\$ 3,867,612	\$ 3,644,326

See accompanying Independent Auditors' Report.

**OTHER SUPPLEMENTARY INFORMATION**

HOLLY SCHOOL DISTRICT RE-3  
 Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2019  
 (With Comparative Totals for June 30, 2018)

	Special Revenue	Capital Projects	Totals	
	Food Service Fund	Capital Reserve Project Fund	2019	2018
<b>ASSETS</b>				
Cash and Investments	\$ 44,108	\$ 137,893	\$ 182,001	\$ 185,786
Other Accounts Receivable	-	-	-	173
Inventory	1,713	-	1,713	4,628
<b>TOTAL ASSETS</b>	<u>\$ 45,821</u>	<u>\$ 137,893</u>	<u>\$ 183,714</u>	<u>\$ 190,587</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accrued Salaries & Benefits	\$ 15,082	\$ -	\$ 15,082	\$ 11,457
Unearned Revenue	1,566	-	1,566	963
<b>Total Liabilities</b>	<u>16,648</u>	<u>-</u>	<u>16,648</u>	<u>12,420</u>
<b>Fund Balance</b>				
Nonspendable Fund Balance	1,713	-	1,713	4,628
Committed Fund Balance				
Other Commitments	27,460	-	27,460	54,643
Assigned Fund Balance				
Other Assigned Fund Balance	-	137,893	137,893	118,896
<b>Total Fund Balance</b>	<u>29,173</u>	<u>137,893</u>	<u>167,066</u>	<u>178,167</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<u>\$ 45,821</u>	<u>\$ 137,893</u>	<u>\$ 183,714</u>	<u>\$ 190,587</u>

See accompanying Independent Auditors' Report.

**HOLLY SCHOOL DISTRICT RE-3**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2019**  
**(With Comparative Totals for the Year Ended June 30, 2018)**

	Special Revenue	Capital Projects	Totals	
	Food Service Fund	Capital Reserve Project Fund	2019	2018
<b>REVENUES</b>				
Local Sources	\$ 13,710	\$ 343	\$ 14,053	\$ 29,382
State Sources	3,802	-	3,802	3,202
Federal Sources	112,490	-	112,490	126,838
<b>TOTAL REVENUES</b>	<b>130,002</b>	<b>343</b>	<b>130,345</b>	<b>159,422</b>
<b>EXPENDITURES</b>				
Food Service	172,624	-	172,624	160,555
Facilities	-	-	-	54
<b>TOTAL EXPENDITURES</b>	<b>172,624</b>	<b>-</b>	<b>172,624</b>	<b>160,609</b>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	<b>(42,622)</b>	<b>343</b>	<b>(42,279)</b>	<b>(1,187)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In (Out) - net	3,178	28,000	31,178	38,662
<b>CHANGE IN FUND BALANCE</b>	<b>(39,444)</b>	<b>28,343</b>	<b>(11,101)</b>	<b>37,475</b>
<b>BEGINNING FUND BALANCE</b>	<b>68,617</b>	<b>109,550</b>	<b>178,167</b>	<b>140,692</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 29,173</b>	<b>\$ 137,893</b>	<b>\$ 167,066</b>	<b>\$ 178,167</b>

See accompanying Independent Auditors' Report.

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### **SPECIAL REVENUE FUND**

This fund is used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are restricted to expenditures for specified purposes:

The District reports the following Special Revenue Fund:

Food Service Fund

This fund is used to account for the District's Food Service operation.

**HOLLY SCHOOL DISTRICT RE-3**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Food Service Fund**  
**For the Year Ended June 30, 2019**  
**(With Comparative Totals for the Year Ended June 30, 2018)**

	2019		Variance with Final Budget	2018 Actual
	Final Budget	Actual		
<b>REVENUES</b>				
<b>Local Sources</b>				
Investment Earnings	\$ 50	\$ 54	\$ 4	\$ 53
Food Service Revenue	25,200	13,616	(11,584)	28,046
Rent Revenue	-	-	-	1,100
Other Local	-	40	40	-
Total Local Sources	<u>25,250</u>	<u>13,710</u>	<u>(11,540)</u>	<u>29,199</u>
<b>State Sources</b>				
State Grants from CDE				
State Match - Child Nutrition	1,500	1,298	(202)	1,264
Smart Start Nutrition	1,000	869	(131)	936
State K-2 Reduced Lunch	1,000	1,635	635	1,002
Total State Sources	<u>3,500</u>	<u>3,802</u>	<u>302</u>	<u>3,202</u>
<b>Federal Sources</b>				
Federal Grants from CDE				
School Breakfast Program	29,500	27,320	(2,180)	36,423
National School Lunch Program	62,000	76,833	14,833	77,147
Federal Grants from Other State Agencies				
USDA Commodity Revenue	-	8,337	8,337	13,268
Total Federal Sources	<u>91,500</u>	<u>112,490</u>	<u>20,990</u>	<u>126,838</u>
<b>TOTAL REVENUES</b>	<u>120,250</u>	<u>130,002</u>	<u>9,752</u>	<u>159,239</u>
<b>EXPENDITURES</b>				
<b>Supporting Services</b>				
<b>Food Service</b>				
Salaries	62,953	62,169	784	51,132
Benefits	36,245	36,244	1	32,711
PS - Other	5,100	110	4,990	240
Supplies	7,000	3,910	3,090	2,211
Food	80,806	61,854	18,952	60,993
Commodities	800	8,337	(7,537)	13,268
Depreciation	3,500	-	3,500	-
<b>TOTAL EXPENDITURES</b>	<u>196,404</u>	<u>172,624</u>	<u>23,780</u>	<u>160,555</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURE</b>	(76,154)	(42,622)	33,532	(1,316)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	11,154	3,178	(7,976)	10,662
<b>CHANGE IN FUND BALANCE</b>	(65,000)	(39,444)	25,556	9,346
<b>BEGINNING FUND BALANCE</b>	65,000	68,617	3,617	59,271
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 29,173</u>	<u>\$ 29,173</u>	<u>\$ 68,617</u>

See accompanying Independent Auditors' Report.

## **DEBT SERVICE FUND**

Debt Service Funds These funds are used to account for the repayment of the District's general obligation indebtedness.

The District has the following debt service fund:

### **Bond Redemption Fund**

This fund is used to account for the repayment of the District's general obligation indebtedness.

**HOLLY SCHOOL DISTRICT RE-3**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Bond Redemption Fund**  
**For the Year Ended June 30, 2019**  
**(With Comparative Totals for the Year Ended June 30, 2018)**

	<b>2019</b>			<b>2018</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	
<b>REVENUES</b>				
<b>Local Sources</b>				
Property Taxes	\$ 91,000	\$ 253,763	\$ 162,763	\$ 250,493
Specific Ownership Taxes	36,000	30,061	(5,939)	40,801
Delinquent Taxes	1,200	11,060	9,860	1,182
Investment Earnings	800	1,441	641	955
<b>TOTAL REVENUES</b>	<u>129,000</u>	<u>296,325</u>	<u>167,325</u>	<u>293,431</u>
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal	150,340	150,340	-	144,444
Interest	99,547	99,547	-	105,618
Total Debt Service	249,887	249,887	-	250,062
<b>Contingency</b>	<u>237,470</u>	<u>-</u>	<u>237,470</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>487,357</u>	<u>249,887</u>	<u>237,470</u>	<u>250,062</u>
<b>CHANGE IN FUND BALANCE</b>	(358,357)	46,438	404,795	43,369
<b>BEGINNING FUND BALANCE</b>	<u>358,357</u>	<u>538,965</u>	<u>180,608</u>	<u>495,596</u>
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 585,403</u>	<u>\$ 585,403</u>	<u>\$ 538,965</u>

See accompanying Independent Auditors' Report.

## **CAPITAL PROJECTS FUND**

Capital Reserve Project Fund - This fund accounts for the District's routine capital projects.

**HOLLY SCHOOL DISTRICT RE-3**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Capital Reserve Project Fund**  
**For the Year Ended June 30, 2019**  
**(With Comparative Totals for the Year Ended June 30, 2018)**

	2019			2018 Actual
	Final Budget	Actual	Variance with Final Budget	
<b>REVENUES</b>				
<b>Local Sources</b>				
Investment Earnings	\$ 150	\$ 343	\$ 193	\$ 183
<b>EXPENDITURES</b>				
<b>Facilities/Capital Outlay</b>				
Land and Improvements	137,688	-	137,688	54
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	(137,538)	343	137,881	129
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	28,000	28,000	-	28,000
<b>CHANGE IN FUND BALANCE</b>	(109,538)	28,343	137,881	28,129
<b>BEGINNING FUND BALANCE</b>	109,538	109,550	12	81,421
<b>ENDING FUND BALANCE</b>	\$ -	\$ 137,893	\$ 137,893	\$ 109,550

See accompanying Independent Auditors' Report.

## **FIDUCIARY (AGENCY) FUNDS**

Fiduciary (Agency) Funds are used to account for assets held by the District as an agent for individuals, private and student groups. The agency funds are custodial in nature and do not involve measurement of results of operations.

### **Pupil Activity Fund**

The District has established an agency fund to account for various student activity groups and contributions from private organizations.

**HOLLY SCHOOL DISTRICT RE-3**  
**Schedule of Revenues, Expenses and Changes in Fiduciary Net Position**  
**Budget and Actual**  
**Fiduciary Funds**  
**Pupil Activity Agency Fund**  
**For the Year Ended June 30, 2019**  
**(With Comparative Totals for the Year Ended June 30, 2018)**

	<b>2019</b>		<b>Variance with Final Budget</b>	<b>2018 Actual</b>
	<b>Final Budget</b>	<b>Actual</b>		
<b>ADDITIONS</b>				
Local Sources	\$ 213,000	\$ 196,964	\$ (16,036)	\$ 233,983
<b>DEDUCTIONS</b>				
Instruction	<u>213,000</u>	<u>215,736</u>	<u>(2,736)</u>	<u>205,009</u>
<b>CHANGE IN NET POSITION</b>	-	(18,772)	(18,772)	28,974
<b>BEGINNING NET POSITION</b>	-	<u>162,592</u>	<u>162,592</u>	<u>133,618</u>
<b>ENDING NET POSITION</b>	<u>\$ -</u>	<u>\$ 143,820</u>	<u>\$ 143,820</u>	<u>\$ 162,592</u>

See accompanying Independent Auditors' Report.

## **STATE COMPLIANCE**

This report includes information required by the Colorado Department of Education.



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 2670 - Holly RE-3  
 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
	+		-	=
<b>Governmental</b>				
10 General Fund	3,644,326	3,576,481	3,359,461	3,861,345
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	98,576	92,106	6,469
<b>Sub- Total</b>	<b>3,644,326</b>	<b>3,675,056</b>	<b>3,451,568</b>	<b>3,867,814</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
21 Food Service Spec Revenue Fund	68,617	133,180	172,624	29,173
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	538,965	296,325	249,887	585,403
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	109,550	28,343	0	137,893
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>4,361,458</b>	<b>4,132,904</b>	<b>3,874,079</b>	<b>4,620,283</b>
<b>Proprietary</b>				
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
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	162,592	196,965	215,736	143,820
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>162,592</b>	<b>196,965</b>	<b>215,736</b>	<b>143,820</b>

FINAL



**Colorado Department of Education**

**Bolded Balance Sheet Report**

District: 2670 - Holly RE-3

Fiscal Year 2018-19

Colorado School District/BOCES

ASSETS	Governmental							Proprietary					Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45,47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Cash and Investments (8100-8104,8111)	4,121,174	0	0	0	0	44,108	575,926	137,893	0	0	0	143,820	0	5,022,921	
Cash with Fiscal Agent (8105)	10,391	0	0	0	0	0	3,939	0	0	0	0	0	0	14,330	
Other Investment Accounts (8112-8115)	5,868	0	0	0	0	0	0	0	0	0	0	0	0	5,868	
Taxes Receivable (8121,8122)	38,990	0	0	0	0	0	13,340	0	0	0	0	0	0	52,330	
Interfund Loans Receivable (8131,8132)	0	0	6,469	0	0	0	0	0	0	0	0	0	0	6,469	
Grants Accounts Receivable (8142)	4,542	0	0	0	0	0	0	0	0	0	0	0	0	4,542	
Other Receivables (8151-8154,8161)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Inventories (8171,8172,8173)	0	0	0	0	0	1,713	0	0	0	0	0	0	0	1,713	
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total Assets</b>	<b>4,180,964</b>	<b>0</b>	<b>6,469</b>	<b>0</b>	<b>0</b>	<b>45,821</b>	<b>593,205</b>	<b>137,893</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>143,820</b>	<b>0</b>	<b>5,108,173</b>	

See accompanying Independent Auditors' Report.

**Governmental**

**Proprietary**

**Fiduciary**

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
<b>LIABILITIES &amp; FUND EQUITY</b>															
<b>LIABILITIES</b>															
Interfund Payables (7401,7402)	6,469	0	0	0	0	0	0	0	0	0	0	0	0	0	6,469
Other Payables (7421-7423)	9,867	0	0	0	0	0	0	0	0	0	0	0	0	0	9,867
Contracts Payable (7431-7433)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Expenses (7461)	274,034	0	0	0	0	15,082	0	0	0	0	0	0	0	0	289,116
Unearned Revenue (7481)	0	0	0	0	0	1,566	7,802	0	0	0	0	0	0	0	9,368
Grants Deferred Revenue (7482)	4,032	0	0	0	0	0	0	0	0	0	0	0	0	0	4,032
Deferred Inflow (7800)	25,217	0	0	0	0	0	0	0	0	0	0	0	0	0	25,217
Deferred Inflow Grants (7801)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>319,619</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,648</b>	<b>7,802</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>344,069</b>

See accompanying Independent Auditors' Report.

**Governmental**

**Proprietary**

**Fiduciary**

<b>FUND EQUITY</b>	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	0	0	0	0	0	1,713	0	0	0	0	0	0	0	0	1,713
Restricted Fund Balance 6720	0	0	0	0	0	0	585,403	0	0	0	0	0	0	0	585,403
TABOR 3% Emergency Reserve 6721	111,000	0	0	0	0	0	0	0	0	0	0	0	0	0	111,000
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	6,469	0	0	0	0	0	0	0	0	0	0	0	6,469
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	179,500	0	0	0	0	0	0	0	0	0	0	0	0	0	179,500
Committed Fund Balance 6750	0	0	0	0	0	27,460	0	0	0	0	0	0	0	0	27,460
Assigned Fund Balance 6760	0	0	0	0	0	0	0	137,893	0	0	0	0	0	0	137,893
Unassigned Fund Balance 6770	3,570,845	0	0	0	0	0	0	0	0	0	0	0	143,820	0	3,714,665
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b>3,861,345</b>	<b>0</b>	<b>6,469</b>	<b>0</b>	<b>0</b>	<b>29,173</b>	<b>585,403</b>	<b>137,893</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>143,820</b>	<b>0</b>	<b>4,764,104</b>

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
<b>Total Liabilities &amp; Fund Equity</b>	4,180,964	0	6,469	0	0	45,821	593,205	137,893	0	0	0	0	143,820	0	5,108,173
<b>Do Assets=Liability+Fund Equity</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

See accompanying Independent Auditors' Report.