

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

June 30, 2019

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Independent Auditor's Report

February 18, 2020

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County School District No. 70 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Swallows Charter Academy, a component unit of the District, which represents 36%, 37% and 72% respectively of the assets, fund balances, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Swallows Charter Academy in the aggregate discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County School District No. 70, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, February 18, 2020, on our consideration of Pueblo County School District No. 70's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pueblo County School District No. 70's internal control over financial reporting and compliance.

Garren, Ross & DeNardo, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
Pueblo County School District No. 70
Pueblo County, Colorado
June 30, 2019

As management of the Pueblo County School District No. 70, Pueblo County, Colorado (the District), we offer readers of the District's financial statements this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements, which immediately follow this section.

Financial Highlights

- Since July 1, 2014, the District has been required to apply the Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68). The GASB pronouncement is discussed in more detail under New Accounting Pronouncements on page 6.
- GASB 68 revises and establishes financial reporting requirements for governments that provide their employees with pension benefits. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by the Public Employees' Retirement Association of Colorado (PERA).
- Among other requirements, the District is now required to report its proportionate share of the total PERA Net Pension Liability (NPL) in its government-wide financial statements. The District's share of the PERA NPL is \$140.0 million as of June 30, 2019. Inclusion of this figure in the government-wide financial statements does not indicate that the District has a liability to pay the amount shown. The District's liability is limited to the annually required contributions established by the State Legislature.
- Fund level statements, including the General Fund statements, are not impacted by GASB 68 reporting.
- Due to the effect of GASB 68, the District has a negative net position. The governmental liabilities and deferred inflows of resources exceed its assets and deferred outflows of resources by \$167.5 million.
- The net position of the District includes \$38.5 million invested in capital assets, net of related debt; \$13.89 million restricted for debt service payments; \$2.35 million restricted for emergencies, as defined under the Taxpayer Bill of Rights; \$0.02 million restricted for Grants; and an unrestricted net position balance of negative (\$222.27) million. The unrestricted balance is negative due to the effects of GASB 68. The unrestricted balance is also different than what would be reflected on a governmental fund accounting basis due to the accounting treatment in the government-wide statements of accrued salaries and benefits earned but unpaid and compensated absences payable.
- In prior years, the District reported its Food Service operations as a business-type activity separate from governmental activities. Due to a change in State regulations, the Food Services Fund is now reported as a governmental fund and its operations are included in governmental activities.

- The total net position of the District decreased by \$158,881 for the year ended June 30, 2019. The accounting treatment of the Net Pension Liability impacts the Net Position..
- Fund balance of the District's governmental funds decreased by \$11,434,203 resulting in an ending fund balance of \$24,698,578. This decrease was the result of significant cost increases in several areas. These increases occurred despite continued tight expense controls in the District.
- During the current fiscal year, the fund balance in the District's General Fund (including the Capital Reserve) decreased by \$12,213,653, from \$21,600,361 to \$9,386,708. This decrease offsets the \$12,568,658 fund balance increase from the prior year which resulted from a Capital Lease.
- The District's long-term obligations decreased by \$6,592,057 to \$103,967,269. Current year principal payments on existing General Obligation debt totaled \$5,485,000.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

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

New Accounting Pronouncements

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

Actuarially Determined Contributions ("ADC") have replaced Annual Required Contributions ("ARC") as the gage of the adequacy of the State's statutory contribution rates. GASB 67 requires the disclosure of the amount of contributions, the ADC amount and the difference between those amounts. The ADC is calculated using the investment rate of return and discount rate assumptions according to the PERA Board's Funding Policy (currently 7.25%). An ADC deficiency arises when contributions are less than the ADC.

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

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

The current period pension expense primarily results from changes in the components of the NPL. NPL is computed as the difference between the employer's obligation to provide pension benefits earned and funding of those benefits (the plan assets being held in trust); pension amounts earned by current and former employees for past services are recorded as a liability in current statements, not in future statements. Most causes of change in the NPL are included in pension expense immediately. Changes resulting from certain causes are introduced into pension expense over multiple periods. See Note G on pages 33-39 in the Notes to Basic Financial Statements for the full disclosure related to PERA.

Fund Financial Statements

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

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

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

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

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 24-53 of this report.

District-wide Financial Analysis

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets, or new resources that become available during Fiscal 2020. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after Fiscal 2020.

The liabilities of the District activities exceed assets by \$167,470,088 and the Unrestricted Net Position is negative (\$222,266,560). This negative net position is due to the implementation of GASB 68, as discussed earlier, which increased Liabilities with the inclusion of the Net Pension Liability of (\$140,043,850). Measures continue to be successfully implemented by the District to eliminate the negative unrestricted balance (net of the Pension Liability) which existed at June 30, 2014 and to maintain a positive unrestricted balance, net of the pension liability.

The District has a net investment of \$38,538,806 in land, improvements, building, equipment, and vehicles which provide the services to the District's 10,003 public school students. Net position of \$13,886,255, accumulated due to voter approved bonded debt mill levy assessments, has been restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The legally required TABOR reserves have also been restricted in the amount of \$2,351,300.

The following table provides a condensed summary of the District's net position for 2019 compared to 2018:

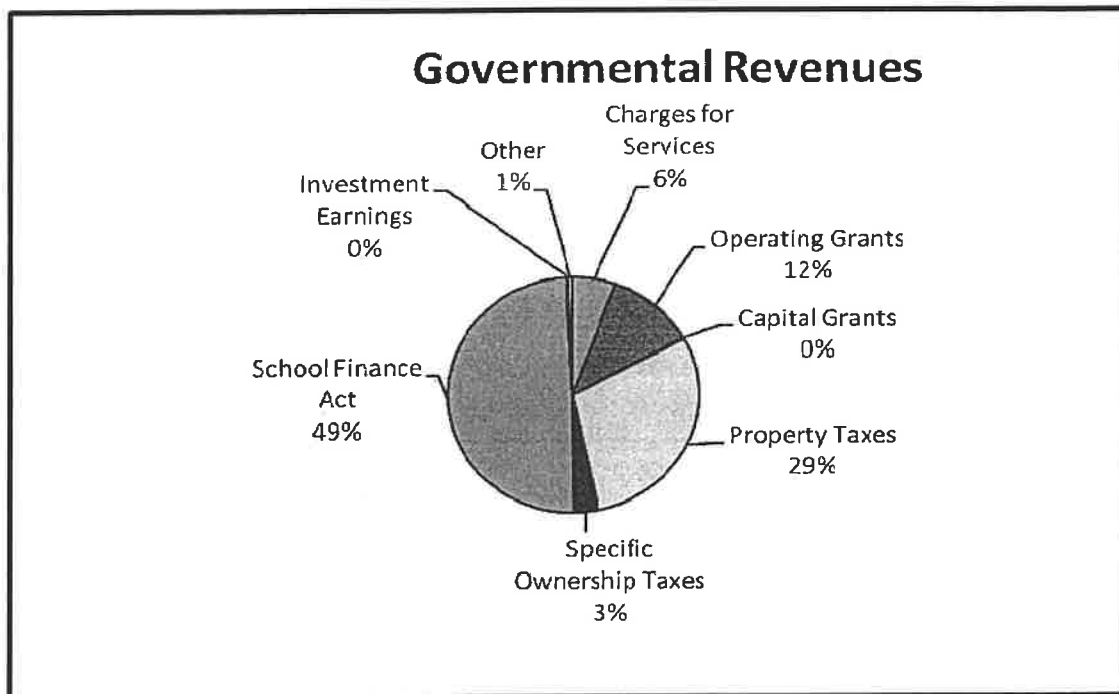
Table 1 Comparative Statement of Net Position As of June 30, 2019		
	Governmental Activities	
	2019	2018
Assets		
Current and Other Assets	36,030,017	47,544,225
Capital Assets	<u>140,581,244</u>	<u>133,536,799</u>
Total Assets	176,611,261	181,081,024
Liabilities		
Current Liabilities	19,982,268	18,336,339
Non-Current Liabilities	<u>247,022,848</u>	<u>407,335,731</u>
Total Liabilities	267,005,116	425,672,070
Deferred Inflow/Outflow of Resources		
Deferred Outflow	59,359,043	89,850,411
Deferred Inflow	136,435,276	12,525,801
Net Position		
Invested in Capital Assets, Net of Related Debt	38,538,806	36,607,750
Restricted	16,257,667	15,398,987
Unrestricted	<u>(222,266,561)</u>	<u>(219,273,173)</u>
Total Net Position	<u>(167,470,088)</u>	<u>(167,266,436)</u>
See PERA Discussion on page 6 for explanation of "Unrestricted" Change		

Table 2 shows the changes in net position for fiscal year 2019 compared to 2018:

Table 2 Changes in Net Position As of June 30, 2019		
	Governmental Activities	
	2019	2018
Revenues		
Program Revenues:		
Charges for Services	5,141,031	5,468,398
Operating Grants & Contributions	10,799,589	8,962,782
Capital Grants and Contributions	184,601	39,815
General Revenues:		
Taxes:		
Local Property Taxes	27,621,142	27,888,307
Specific Ownership Taxes	2,877,443	2,755,661
School Finance Act	46,289,192	43,234,899
Earnings on Investments	220,658	82,125
Other	<u>558,199</u>	<u>407,543</u>
Total Revenues	93,691,855	88,839,530
Expenses		
Governmental Activities:		
Direct Instruction	49,154,767	87,758,953
Indirect Instruction	17,822,690	26,404,980
Transportation	3,006,847	2,843,231
Custodial and Maintenance	5,429,198	8,704,736
Other Support Services	14,061,406	16,634,327
General Administration	738,001	1,219,502
Interest Expense-Unallocated	<u>3,637,827</u>	<u>3,481,491</u>
Total Expenses	93,850,736	147,047,220
Change in Net Position	<u>(158,881)</u>	<u>(58,207,690)</u>
Net Position - July 1	(167,311,207)	(109,058,746)
Net Position - June 30	<u>(167,470,088)</u>	<u>(167,266,436)</u>

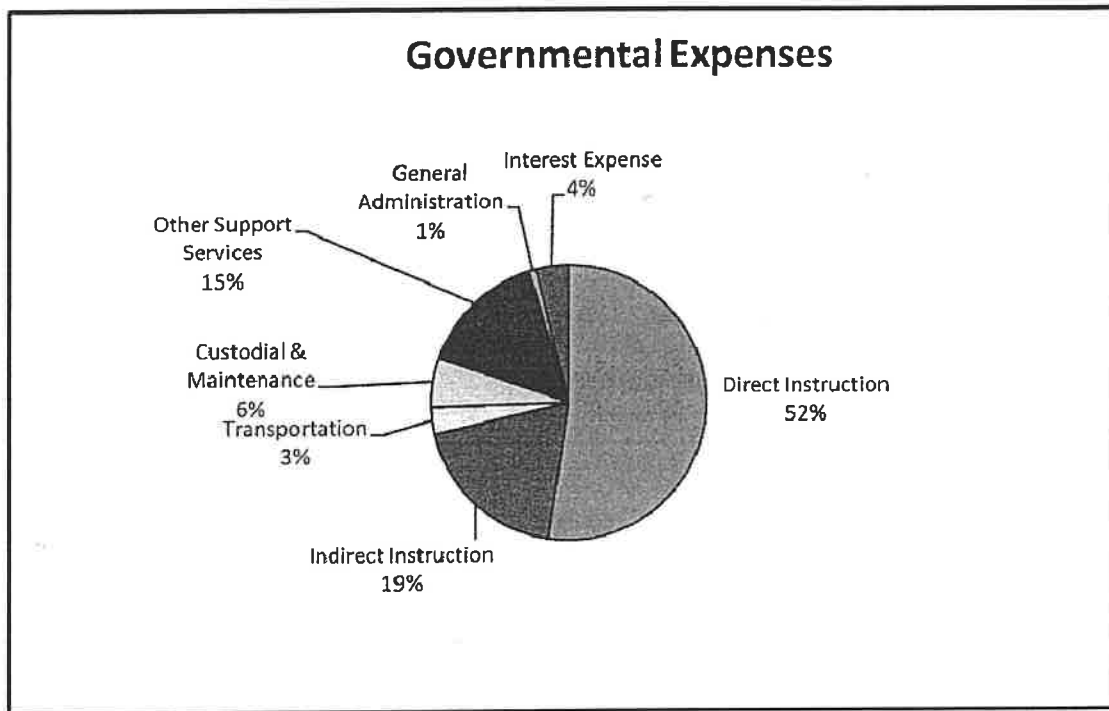
State equalization and taxes (Property Taxes and Specific Ownership Taxes) accounted for most of the District's total revenue. As shown in the graph below, State Equalization (School Finance Act) contributed 49% of total revenues, while Property Taxes and Specific Ownership Taxes contributed 32% of every dollar raised. Another 12% came from state and federal grants for specific programs and the remaining 7% from fees charged for services, investment earnings and miscellaneous sources. As a percentage of total revenue, the State Equalization component and property taxes changed slightly from the prior year. These amounts are determined annually by the state in accordance with the School Finance Act.

Table 3



As shown in Table 4 below, a total of 71% of the District's expenses are related to instructing and caring for (pupil services) students. This is a decrease from 78% in the prior year. Transportation accounts for 3% of District expenses, which is higher than many other districts. The District's administrative expenses accounted for only 1% of total costs.

Table 4



Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$7,708 per funded student in FY 2018-19. This is down \$3 from \$7,711 per funded student in FY 2017-18. In Fiscal Year 2018-19 the funded pupil count was 9,578.6. This is an increase of 147.8 over the prior year. For the 2018-19 fiscal year the District continued to be one of the lowest funded districts in the state. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The District receives approximately 66% of SFA funding from state equalization while the remaining amounts come from property taxes and specific ownership taxes. The District's assessed valuation generated \$27,621,142 in total property taxes (for both operations and bond redemption payments) in fiscal year 2018-19. Due to an increase in the District's assessed valuation for collection in fiscal year 2019-20, this is expected to increase in the 2019-20 fiscal year.

The District sets the bond mill rate annually in an amount sufficient to make the annual debt service payment. As a result of significant enrollment growth, the District has requested and received voter approval for bond issues in 1994, 1995, 1999, 2002, and 2012. Accordingly, the bond redemption mill levy increased from 12.925 mills in fiscal year 1996 to 21.964 mills in fiscal year 2005. Subsequently, however, due primarily to growth and the corresponding increase in assessed valuation, the District has experienced a decrease in the bond redemption mill levy. For fiscal year 2018-19, the bond redemption mill levy is 12.963 mills.

Financial Analysis of the District's Funds

Detailed information about the District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. For FY 2018-19, all government

funds had total revenues, including other financing sources, of \$94,216,852 and expenditures of \$105,606,284. A Capital Outlay of \$13.8 million in FY19, utilizing proceeds from a Capital Lease in the prior year, accounts for the deficit in the current year. The Debt Service Fund experienced an increase in fund balance, increasing by \$706,241. The General Fund change in fund balance, after considering Capital Leases and Transfers, was a decrease of \$12,213,653. Again, the Capital Outlay of \$13.6 million in the General Fund accounts for this decrease.

General Fund Budgetary Highlights.

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

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

Capital Assets and Debt Administration

By the end of Fiscal 2019, the District had invested \$219,352,584 in land, buildings, Construction in Progress, equipment and transportation vehicles. As shown in Table 5, this is a 6.68% increase in Fiscal 2019 compared to 2018. Proceeds from a Capital Lease accounted for much of this increase.

Table 5
Capital Assets at June 30, 2018 and 2017

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

	Governmental		Total Percentage
	<u>Activities</u>		<u>Change</u>
	<u>2019</u>	<u>2018</u>	<u>2018-2019</u>
Land	659,080	564,859	16.68%
Construction in Progress	416,994	2,011,015	-79.26%
Bldg & Improvements	201,259,217	186,324,157	8.02%
Furniture & Fixtures	14,487,755	14,360,700	0.88%
Automotive Equip	<u>2,529,538</u>	<u>2,354,217</u>	<u>7.45%</u>
Total Capital Assets	219,352,584	205,614,948	6.68%

Long-term Debt.

At June 30, 2019, the District had total bonded debt outstanding of \$70,205,000 backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for Capital Leases, Certificates of Participation, Qualified Zone Academy Bonds, and Build America Bonds in the amount of \$27,545,495 outstanding at the end of the current fiscal year. This is a decrease of \$1,437,135 from the end of the prior year. Energy efficiencies undertaken by the District in recent years comprise a significant portion of the Capital Lease and Certificates of Participation obligations.

The total District General Obligation Bonds outstanding decreased by \$5,485,000 during the fiscal year as a result of District bond principal payments. No new General Obligation Bonds were issued by the District.

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

State statutes limit the amount of General Obligation debt that the District may issue. The District currently has \$82.0 million of unused bond capacity. Additional increases in Assessed Valuation, combined with the scheduled payment of principal, is projected to free up more capacity in the ensuing fiscal years, thus providing the needed capacity for future bond issues to be presented to the voters should the need arise. The amount and timing of additional debt issuance in the future, subject to statutory debt limitations and voter approval, will depend on the rate of enrollment growth, capital needs, assessed valuation growth, and the continuing repayment of existing debt.

Additional information on the District's long-term obligations can be found in Notes J and K on pages 47-50 of this report.

Economic Factors and Next Year's Budget and Rates

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

- For calendar year 2018, the inflation rate was 3.4 percent. Accordingly, in accordance with Amendment 23, the District should receive additional funding of 3.4% for the 2019-20 school year. Because of the State financial crisis in the 2008 - 2012 time-frame, the District experienced a severe shortfall in funding for several years compared with the amounts contemplated under Amendment 23. In an effort to make up for prior year shortfalls, the Legislature has, in some years, provided funding in excess of that amount required by Amendment 23. Accordingly, the actual increase for the 2019-20 school year is expected to be 6.05%. Nevertheless, the District continues to receive per pupil revenue well below the Amendment 23 formula amounts, thus causing continued financial strain on the District.

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

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

STATEMENT OF NET POSITION
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

	Primary Government Governmental Activities	Component Units Charter Schools
<u>Assets</u>		
Cash and equivalents	\$ 20,813,002	\$ 724,663
Cash with County Treasurer	340,574	-
Restricted cash and equivalents	-	209,335
Investments	11,334,771	-
Receivables		
Taxes	1,471,532	-
Other	358,913	360,940
Due from primary government	-	1,494,164
Due from component units	237,381	-
Accrued federal/state revenue	1,169,159	-
Prepaid expenses	189,075	55,673
Assets held by the primary government	-	494,068
Inventories	115,610	-
Capital assets, net of depreciation	140,581,244	6,580,407
Total Assets	176,611,261	9,919,250
<u>Deferred Outflow of Resources</u>		
Bond discount	63,905	-
Related to OPEB	602,045	52,080
Related to pensions	58,693,093	3,749,439
Total Deferred Outflows of Resources	59,359,043	3,801,519
<u>Liabilities</u>		
Accounts and interest payable	1,475,501	65,128
Accrued salaries	8,081,843	326,072
Due to component unit	1,494,164	-
Due to primary government	-	237,381
Unearned revenue	729,385	-
Long- Term Liabilities		
Due within one year	8,201,375	88,157
Due in more than one year	100,057,837	4,786,577
Net OPEB liability	6,921,161	512,406
Net pension liability	140,043,850	10,287,794
Total Liabilities	267,005,116	16,303,515
<u>Deferred Inflow of Resources</u>		
Deferred amount on refunding	43,896	-
Related to OPEB	121,471	3,336
Related to pensions	136,269,909	8,345,876
Total Deferred Inflows of Resources	136,435,276	8,349,212
<u>Net Position</u>		
Investment in capital assets, net of related debt	38,538,806	1,778,680
Restricted	16,257,667	214,600
Unrestricted	(222,266,561)	(12,925,238)
Total Net Position	\$ (167,470,088)	\$ (10,931,958)

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

STATEMENT OF ACTIVITIES
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2019

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
					Primary Government	Governmental Activities	Component Unit
							Charter Schools
Governmental Activities							
Direct instruction	\$ 49,154,767	\$ 713,920	\$ 9,296,609	\$ 55,843	\$ (39,088,395)	\$	-
Indirect instruction	17,822,690	-	1,154,851	-	(16,667,839)		-
Transportation	3,006,847	-	-	-	(3,006,847)		-
Custodial and maintenance	5,429,198	-	-	-	(5,429,198)		-
Other support services	14,061,406	4,197,305	336,994	128,758	(9,398,349)		-
General administration	738,001	229,806	11,135	-	(497,060)		-
Interest expense, unallocated	3,637,827	-	-	-	(3,637,827)		-
Total Governmental Activities	93,850,736	5,141,031	10,799,589	184,601	(77,725,515)		-
Component Unit - Charter Schools							
	\$ 7,192,985	\$ 89,401	\$ 230,534	\$ 271,775	\$ -	\$ (6,601,275)	
General Revenues							
Local property taxes					\$ 27,621,142	\$	-
Specific ownership taxes					2,877,443		-
School finance act					46,289,192		7,069,875
Earnings on investments					220,658		740
Gain (loss) on sale of capital assets					(410)		-
Other					558,609		61,659
Total General Revenues					77,566,634		7,132,274
Changes in Net Position					(158,881)		530,999
Net Position - July 1 - Restated					(167,311,207)		(11,462,957)
Net Position - June 30					\$ (167,470,088)		\$ (10,931,958)

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

GOVERNMENTAL FUND
FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

	General	Debt	Other	Total
	Fund	Service	Governmental	Governmental
<u>Assets</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Cash and cash equivalents	\$ 17,033,941	\$ 2,415,335	\$ 1,363,726	\$ 20,813,002
Cash with County Treasurer	306,527	34,047	-	340,574
Restricted cash	-	-	-	-
Investments, at fair value	13,663	11,246,094	75,014	11,334,771
Accounts and other receivables	240,017	-	5,212	245,229
Other taxes receivable	-	-	-	-
Due from other funds	304,306	-	310,132	614,438
Due from component unit	237,381	-	-	237,381
Property taxes receivable	1,145,753	325,779	-	1,471,532
Accrued federal revenue	7,010	-	1,132,556	1,139,566
Accrued state revenue	29,593	-	-	29,593
Inventories	52,342	-	63,268	115,610
Total Assets	19,370,533	14,021,255	2,949,908	36,341,696
 <u>Liabilities</u>				
Accounts payable	353,324	-	67,638	420,962
Accrued salaries and benefits	7,304,161	-	777,682	8,081,843
Due to other funds	222,539	-	304,225	526,764
Due to component unit	1,264,948	-	229,216	1,494,164
Unearned revenue	583,853	-	145,532	729,385
Total Liabilities	9,728,825	-	1,524,293	11,253,118
 <u>Deferred Inflow of Resources -</u>				
Property taxes	255,000	135,000	-	390,000
 <u>Fund Balance</u>				
Nonspendable	52,342	-	63,268	115,610
Restricted	2,250,902	13,886,255	120,510	16,257,667
Assigned	1,149,861	-	1,241,837	2,391,698
Unassigned	5,933,603	-	-	5,933,603
Total Fund Balances	\$ 9,386,708	\$ 13,886,255	\$ 1,425,615	\$ 24,698,578

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

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

Total Fund Balances - Governmental Fund	\$ 24,698,578
Property tax receivable-revenues that are not available to pay current expenditures are not on the governmental fund financial statements, but recognized on the government-wide financial statements.	390,000
Revenue receivable that does not provide current financial resources is not recorded in the governmental fund statements.	26,010
Expenditures for services which benefit future periods are treated as prepaid expenses and included in current assets in the government-wide financial statements.	189,075
Capital assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds.	140,581,244
Deferred outflows from refunding debt are not considered current financial resources and not reported in the governmental funds.	63,905
Deferred amount on refunding is not due and payable in the current period and not included in the fund financial statements.	(4,335,839)
Long-term liabilities for general obligation debt (\$70,205,000), quality zone academy bond debt (\$748,341), certificates of participation (\$6,715,000) Build America bonds (\$3,676,918), capital leases (\$16,405,236), CDE audit adjustment (\$41,961) and compensated absences (\$6,174,813) are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(103,967,269)
Interest payable on general obligation debt is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements since the liability is to be paid in the near term.	(1,054,539)
Deferred activity related to pension (\$58,693,093) and OPEB (\$602,045) assumptions are not recorded and included in the governmental funds.	59,295,138
Pension (\$136,269,909) and OPEB (\$121,471) contributions subsequent to plan measurement date are not included in the long term liability and are deferred.	(136,391,380)
Net pension (\$140,043,850) and OPEB (\$6,921,161) liabilities for the District are a long term liability not due and payable in the current period and therefore not reported in governmental funds.	<u>(146,965,011)</u>
Total Net Position - Governmental Activities	<u>\$ (167,470,088)</u>

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

	General	Debt	Other	Total
	Fund	Service	Governmental	Governmental
Revenues		Fund	Funds	Funds
Local property tax	\$ 18,789,211	\$ 8,996,931	\$ -	\$ 27,786,142
Specific ownership tax	2,877,443	-	-	2,877,443
State sources	58,120,930	-	142,029	58,262,959
Federal sources	1,592,759	-	6,422,745	8,015,504
Other sources	1,347,353	209,383	2,245,904	3,802,640
Fund allocations	(6,884,830)	-	-	(6,884,830)
Total Revenues	<u>75,842,866</u>	<u>9,206,314</u>	<u>8,810,678</u>	<u>93,859,858</u>
Expenditures				
Direct instruction	42,123,501	-	4,218,872	46,342,373
Indirect instruction	16,230,956	-	1,134,202	17,365,158
Transportation	2,828,895	-	169,537	2,998,432
Custodial and maintenance	4,884,532	-	49,421	4,933,953
Other support services	4,522,056	-	4,040,922	8,562,978
General administration	642,233	-	70,262	712,495
Capital outlay	13,612,963	-	149,828	13,762,791
Debt service:				
Principal retirement	1,812,403	5,485,000	-	7,297,403
Interest and fiscal charges	615,628	3,015,073	-	3,630,701
Total Expenditures	<u>87,273,167</u>	<u>8,500,073</u>	<u>9,833,044</u>	<u>105,606,284</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(11,430,301)</u>	<u>706,241</u>	<u>(1,022,366)</u>	<u>(11,746,426)</u>
Other Financing Sources (Uses)				
Transfers to other funds	(1,140,346)	-	1,140,346	-
Transfers from other funds	-	-	-	-
Proceeds from capital lease	356,994	-	-	356,994
Total Other Financing Sources (Uses)	<u>(783,352)</u>	<u>-</u>	<u>1,140,346</u>	<u>356,994</u>
Net Change in Fund Balances	<u>(12,213,653)</u>	<u>706,241</u>	<u>117,980</u>	<u>(11,389,432)</u>
Fund Balances - July 1 (Restated)	<u>21,600,361</u>	<u>13,180,014</u>	<u>1,307,635</u>	<u>36,088,010</u>
Fund Balances - June 30	<u>\$ 9,386,708</u>	<u>\$ 13,886,255</u>	<u>\$ 1,425,615</u>	<u>\$ 24,698,578</u>

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

Total Change in Fund Balances - Governmental Funds	\$ (11,389,432)
Change in receivables - revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	4,771
Discount on issuance of certificates of participation to be amortized over the repayment period.	(4,123)
Expenditures for services which benefit a future period are reported as prepaid expenses and included in current assets in the government wide statement of net position. In the governmental fund financial statements they are treated as expenditures when paid.	(206,577)
Change in property tax receivable - revenues that do not provide current financial resources are not included in the governmental fund financial statements but recognized on the government-wide financial statements.	(165,000)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$13,802,264) exceeds depreciation expense (\$6,750,045) in the period.	7,052,219
In the government-wide statements, basis in capital assets that have been sold reduces income. In governmental funds the basis is not recognized	(7,774)
In the government-wide statements the amortization of the deferred refunding amount reduces interest expense. In governmental funds the amortization is not recognized.	28,737
Principal retirements - retirements of principal outstanding on the District's debt result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these reductions against the long-term liabilities.	7,279,130
Some capital assets acquired this year were financed with capital leases. These amounts are reported in the governmental funds as a source of financing. On the other hand, these financing sources are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets.	(356,994)
Premiums on general obligation debt are amortized on the government-wide statements, but are recognized in full in the governmental funds.	366,549
Net pension (\$1,824,307) and OPEB (\$169,117) related items are reported in the statement of activities and do not require the use of current financial resources, and therefore, are not reported in the governmental funds.	(1,993,424)
In the government-wide statements accrued compensated absences are measured by the amount earned and unused. In the governmental funds, the expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid). Therefore, the change in the accrued compensated absences is recognized.	(330,079)
Interest payable on general obligation debt is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements, and the change in the liability is recognized.	(436,884)
Total Change in Net Position - Governmental Activities	\$ (158,881)

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

INTERNAL SERVICE FUND

FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

	Component Unit Swallows Charter School Internal Service <u>Fund</u>
<u>Assets</u>	
Current Assets	
Restricted cash and investments	\$ 209,335
Non-current Assets	
Equipment, net of depreciation	<u>3,067,109</u>
Total Assets	<u>3,276,444</u>
<u>Liabilities</u>	
Current Liabilities	
Interest payable	11,436
Bonds payable - current portion	<u>50,000</u>
Total Current Liabilities	61,436
Long-term Liabilities	
Bonds payable - long-term portion	<u>3,420,000</u>
Total Liabilities	<u>3,481,436</u>
<u>Net Position</u>	
Invested in capital assets, net of related debt	(193,556)
Unrestricted	<u>(11,436)</u>
Total Net Position	<u>\$ (204,992)</u>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

INTERNAL SERVICE FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

	Component Unit Swallows Charter School Internal Service <u>Fund</u>
Operating Revenues	
Rental income	\$ 241,320
Operating Expenses	
Purchased services	<u>-</u>
Operating Income (Loss)	241,320
Nonoperating Expenses	
Interest income	-
Interest expense	(187,090)
Depreciation expense	(165,087)
Bond Amortization Discount	<u>-</u>
Income (Loss) Before Transfers	(110,857)
Transfer from General Fund	<u>-</u>
Change in Net Position	(110,857)
Net Position - July 1	<u>(94,135)</u>
Net Position - June 30	<u><u>\$ (204,992)</u></u>

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

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2019

	Component Unit Swallows Charter School Internal Service Fund
Cash Flows From Operating Activities:	
Cash received from operations	\$ 241,320
Cash paid to suppliers	-
Net Cash Provided (Used) by Operating Activities	<u>241,320</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of property and equipment	-
Bond principal payments	(45,000)
Bond interest payments	(212,732)
Net Cash Provided (Used) by Capital Financing Activities	<u>(257,732)</u>
Cash Flows From Non-Capital and Related Financing Activities:	
Transfer from General Fund	-
Cash Flows From Investing Activities	
Interest received	-
Net Increase (Decrease) in Cash	(16,412)
Cash - July 1	<u>225,747</u>
Cash - June 30	<u>\$ 209,335</u>
Reconciliation of Operating Income (Loss) to Net	
Cash Used by Operating Activities	
Operating income (loss)	\$ 241,320
Adjustments to reconcile operating loss to net cash used	
by operating activities:	
Changes in Assets and liabilities:	
Accounts payable	-
Due to other funds	-
Net Cash Provided by Operating Activities	<u>\$ 241,320</u>

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

FIDUCIARY FUND
FINANCIAL STATEMENT

STATEMENT OF FIDUCIARY NET POSITION
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

		<u>Student Activity Agency</u>
<u>Assets</u>		
Cash in bank and on hand	\$	1,263,271
Accounts receivable		-
Due from other funds		<u>-</u>
	Total Assets	\$ <u>1,263,271</u>
<u>Liabilities and Fund Equity</u>		
Accounts payable	\$	26,059
Due to other funds		87,674
Due to student groups		<u>1,149,538</u>
	Total Liabilities and Fund Equity	\$ <u>1,263,271</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

The School District has three charters schools - Connect School, Villa Bella Expeditionary and the Swallows Charter Academy.

Blended Component Unit - The School District 70 Education Foundation The Foundation is a 501(c)(3) non-profit entity organized to operate for educational and charitable purposes exclusively for the benefit of the School District, including the support and enrichment of the education of the student. The Foundation is governed by a board approved by the Board of Education of the School District. The Foundation was reported as a special revenue fund within the School District's financial statements. The Foundation issues compiled financial statements. Additional information may be obtained by writing the Foundation, 24951 East U.S. Highway 50, Pueblo, CO 81006 or by calling 1-719-542-0220.

Government-Wide and Fund Financial Statements

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentations

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, as are the fiduciary fund statements. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

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

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

Governmental Fund Types

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

General Fund

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

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

Special Revenue Funds

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

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

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

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

The School District 70 Education Foundation is organized to operate exclusively for educational and charitable purposes exclusively for the benefit of the School District.

Debt Service Fund

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

Capital Projects Fund

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

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

Enterprise Funds

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

Internal Service Fund

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

Fiduciary Funds

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

Trust and Agency Fund

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

Cash and Cash Equivalents

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

Budgets and Budgetary Data

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

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

Inventories

Purchased inventories of the General Fund and Food Service Fund are stated at cost using the first-in, first-out method of determining inventories on hand. Commodity inventories in the Food Service Fund are stated at their fair market value on the date received. Perpetual inventory records are maintained for instructional supplies, plumbing and electrical supplies, and food service inventories. Physical counts were made of all inventories as of June 30, 2019. Inventories were adjusted to reflect the amounts determined by physical count.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

Capital Assets

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Accounts Payable and Encumbrances

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to June 30, 2019.

Encumbrances represent outstanding purchase orders for goods or services not yet delivered or provided as of June 30, 2019. Encumbrances are not recognized as liabilities or expenditures until the period in which the payable becomes fixed.

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

There were no outstanding encumbrances at June 30, 2019.

Property Taxes

The School District's ad valorem property tax is levied by each December 15 for all real and business personal property located in the District. The assessed value of the roll on January 1, 2019, upon which the levy for the 2019 fiscal year was based, was \$696,797,785.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

The tax rates assessed for the year ended June 30, 2019 to finance general fund operations and the payment of principal and interest on general long-term debt were \$27.030 and \$12.963 per \$1,000 valuation, respectively, for a total of \$39.993 per \$1,000 valuation.

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

Compensated Absences

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

NOTE C - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures in Excess of Budget Amounts

During the year ended June 30, 2019, the following two funds incurred actual expenditures in excess of budgeted expenditures:

	<u>Actual</u>		<u>Budget</u>		<u>Actual Over Budget</u>
Food Service Fund	\$ 4,142,547	\$	4,067,700	\$	74,847
Villa Bella Charter School	\$ 242,127	\$	229,250	\$	12,877
Swallows Charter School	\$ 5,347,997	\$	5,296,100	\$	51,897

Risk Management

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

NOTE D - CASH DEPOSITS AND INVESTMENTS

Deposits

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

Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to the total uninsured deposits held by that institution. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pool. At June 30, 2019, the District had deposits over \$250,000 in the amount of \$19,187,805. These deposits are required to be collateralized under State Statutes.

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

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

<u>Cash and Deposits</u>	<u>Carrying Amount</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<u>Deposits</u>			
Cash	\$ 20,068,768	\$ 20,068,768	\$ -
Cash held by County Treasurer	340,574	340,574	-
<u>Investments</u>			
State investment pool (ColoTrust)	383,558	383,558	-
Certificates of deposit	21,952	21,952	-
Money market mutual fund	2,624,670	2,624,670	-
U.S. Government Securities	11,246,094	11,246,094	-
Total Deposits	<u>\$ 34,685,616</u>	<u>\$ 34,685,616</u>	<u>\$ 0</u>
Governmental Activities	\$ 32,488,347		
Component Unit	933,998		
Fiduciary Fund	1,263,271		
	<u>\$ 34,685,616</u>		

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

NOTE D - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments

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

The District and component unit has invested \$383,558 in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal functions of ColoTrust. Substantially all securities owned by ColoTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by ColoTrust.

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

Credit risk - The District does not have a policy that would further limit its choices beyond the requirements of Colorado statutes. As of June 30, 2019, the District's investment in ColoTrust was rated AAm by Standard and Poor's and Aaa by Moody's.

NOTE E - CHANGES IN CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended June 30, 2019:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
<u>Governmental Activities</u>				
Non-Depreciable Assets:				
Land	\$ 564,859	\$ 94,221	\$ -	\$ 659,080
Construction in progress	2,011,015	356,994	1,951,015	416,994
Total Non-Depreciable Assets	<u>2,575,874</u>	<u>451,215</u>	<u>1,951,015</u>	<u>1,076,074</u>
Depreciable Assets:				
Bldg. and improvements	186,324,157	14,935,060	-	201,259,217
Furniture and fixtures	14,360,700	174,240	47,185	14,487,755
Automotive equipment	2,354,217	192,764	17,443	2,529,538
Total Depreciable Assets	<u>203,039,074</u>	<u>15,302,064</u>	<u>64,628</u>	<u>218,276,510</u>
Less Accumulated Depreciation for:				
Bldg. and improvements	60,940,964	5,486,298	-	66,427,262
Furniture and fixtures	9,931,811	1,104,133	47,042	10,988,902
Automotive equipment	1,205,374	159,614	9,812	1,355,176
Total Accumulated Depreciation	<u>72,078,149</u>	<u>6,750,045</u>	<u>56,854</u>	<u>78,771,340</u>
Total Capital Assets, Net	<u>\$ 133,536,799</u>	<u>\$ 9,003,234</u>	<u>\$ 1,958,789</u>	<u>\$ 140,581,244</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

NOTE E - CHANGES IN CAPITAL ASSETS (Continued)

<u>Component Unit</u> <u>Charter Schools</u>	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
Non-Depreciable Assets:				
Land	\$ 150,912	\$ 157,537	\$ -	\$ 308,449
Construction in progress	55,050	-	-	55,050
Total Non-Depreciable Assets	<u>205,962</u>	<u>157,537</u>	<u>-</u>	<u>363,499</u>
Depreciable Assets:				
Bldg. and improvements	5,031,370	2,191,180	-	7,222,550
Furniture and fixtures	161,002	23,780	-	184,782
Equipment	55,998	-	-	55,998
Vehicles	77,326	-	-	77,326
Total Depreciable Assets	<u>5,325,696</u>	<u>2,214,960</u>	<u>-</u>	<u>7,540,656</u>
Less Accumulated Depreciation for:				
Bldg. and improvements	871,505	265,973	-	1,137,478
Furniture and fixtures	83,998	24,946	-	108,944
Vehicles	77,326	-	-	77,326
Total Accumulated Depreciation	<u>1,032,829</u>	<u>290,919</u>	<u>-</u>	<u>1,323,748</u>
Total Capital Assets, Net	<u>\$ 4,498,829</u>	<u>\$ 2,081,578</u>	<u>\$ -</u>	<u>\$ 6,580,407</u>

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

Governmental activities:

Direct instruction	\$ 1,241,071
Transportation	8,415
Custodial and maintenance	194,259
Other support services	<u>5,306,300</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,750,045</u>

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

Salaries of certain contractually employed personnel are paid over a twelve month period, but are earned during the school year, a period of approximately nine months. The amounts representing accrued salaries are those earned through June 30, 2019, but not yet paid by the School District. Accrued P.E.R.A. represents the School District's 20.40% contribution on the accrued salaries. At June 30, 2019 accrued salaries and P.E.R.A. have been recognized as a liability in each of the affected funds.

The accrued salaries and P.E.R.A. by fund at June 30, 2019 were as follows:

General Fund	\$ 7,304,161
Governmental Designated-Purpose Grants Fund	452,622
Food Service Enterprise Fund	231,045
Pupil Athletic Fund	94,015
Component Unit - Charter Schools	<u>326,072</u>
Total Accrued Salaries and P.E.R.A.	<u>\$ 8,407,915</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

NOTE G - DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions

Pueblo County School District No. 70 participates in the School Division Trust Fund (SCHDTF), a cost sharing multiple-employer defined benefit pension 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.

- Increase employer contribution rates for the SCHDTF by .25 percent on July 1, 2019.
- Increase employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

General Information about the Pension Plan

Plan Description

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

Benefits Provided as of December 31, 2018

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

NOTE G - DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided as of December 31, 2017 (Continued)

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

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

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

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

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 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 less 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 lessor 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 the 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:

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

NOTE G - DEFINED BENEFIT PENSION PLAN (Continued)

Contributions Provisions as of June 30, 2019 (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 SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%	5.50%
Total Employer Contribution Rate to the SCHDTF	19.13%	19.13%

Contribution rates for the SCHDTF are expressed as 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 nonemployer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District, Connect Charter School and Swallows Charter Academy were \$8,630,680, \$215,051 and \$453,540, respectively, 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's 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 nonemployer contributing entity.

At June 30, 2019 the District, Connect Charter School and Swallows Charter Academy reported a liability for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

	Primary Government	Connect Charter School	Swallows Charter Academy
The District's proportionate share of the net pension liability \$	140,043,850	\$ 3,497,732	\$ 6,790,062
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	19,149,052	478,218	928,447
Total \$	<u>159,192,902</u>	<u>\$ 3,975,950</u>	<u>\$ 7,718,509</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

NOTE G - DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2018, the District's and the two Charter Schools' proportion was .84922%, which was a decrease of .31460% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019 the District, Connect Charter School and Swallows Charter Academy recognized pension expense of \$11,456,123, \$78,720 and \$57,664, respectively. The District, Connect Charter School and Swallows Charter Academy recognized support from the State as a nonemployer contributing entity of \$1,001,135, \$24,647, and \$4,770, respectively. At June 30, 2019, the District and Charter Schools' reported deferred outflows of the resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>		<u>Connect Charter School</u>		<u>Swallows Charter Academy</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 6,456,240	\$ -	\$ 246,663	\$ -	\$ 230,326	n/a
Changes of assumptions or other inputs	38,089,165	117,687,358	938,661	2,674,330	1,267,395	4,222,688
Net difference between projected and actual earnings on pension plan investments	9,793,485	-	375,364	-	370,101	n/a
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	18,582,551	-	882,184	n/a	566,674
Contributions subsequent to the measurement date	4,354,203	-	105,236	-	215,693	n/a
	<u>\$ 58,693,093</u>	<u>\$ 136,269,909</u>	<u>\$ 1,665,924</u>	<u>\$ 3,556,514</u>	<u>\$ 2,083,515</u>	<u>\$ 4,789,362</u>

\$4,354,203 for the primary government and \$320,929 for the component unit reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 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	<u>Primary Government</u>	<u>Connect Charter School</u>	<u>Swallows Charter Academy</u>
2020	\$ (16,533,680)	\$ (392,038)	\$ (462,089)
2021	(42,366,530)	(1,037,873)	(1,560,077)
2022	(27,872,933)	(639,348)	(1,101,827)
2023	4,842,124	73,433	202,453
	<u>\$ (81,931,019)</u>	<u>\$ (1,995,826)</u>	<u>\$ (2,921,540)</u>

Actuarial Assumptions

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

NOTE G -DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increase, including wage inflation	3.50 - 9.70 percent
Long-term investment rate of return, net pension plan investment expense including price inflation	7.25 percent
Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA benefit structure hired before January 1, 2007	2.00 percent compounded annually
PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired before January 1, 2007	0% thorough 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

NOTE G -DEFINED BENEFIT PENSION PLAN (Continued)

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

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:

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

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

Discount Rate

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

NOTE G -DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate (Continued)

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

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

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25% percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 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%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<u>Primary Government</u>			
Proportionate share of the net pension liability	\$ 178,041,798	\$ 140,043,850	\$ 108,157,164
<u>Connect Charter School</u>			
Proportionate share of the net pension liability	\$ 4,446,315	\$ 3,497,372	\$ 2,701,056
<u>Swallows Charter Academy</u>			
Proportionate share of the net pension liability	\$ 8,632,403	\$ 6,790,062	\$ 544,028

Pension Plan Fiduciary Net Position

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

NOTE H - DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description

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

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2019, program members contributed \$408,889 for the Voluntary Investment Program.

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

Summary of Significant Accounting Policies

OPEB

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

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

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

Benefits Provided (Continued)

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

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

PERA Benefit Structure

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

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

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District, Connect Charter School and the Swallows Charter Academy are statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District, Connect and Swallows were \$460,183, \$11,466 and \$22,952, respectively, 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, Connect Charter School and Swallows Charter Academy reported liabilities of \$6,921,161, \$173,281 and \$339,125, respectively, 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 and component unit's proportion of the net OPEB liability was based on the 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, Connect's and Swallows proportion was .551997 percent, which was an increase of .001632 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District, Connect and Swallows recognized OPEB expense of \$629,299, \$16,267 and \$31,461, respectively. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

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

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

	<u>Primary Government</u>		<u>Connect Charter School</u>		<u>Swallows Charter Academy</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 81,382	\$ 30,370	\$ 2,715	\$ 705	\$ 1,231	\$ 516
Changes of assumptions or other inputs	159,050	-	5,370	-	2,379	-
Net difference between projected and actual earnings on pension plan investments	129,450	-	4,403	-	1,950	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	91,101	-	2,115	16,930	-
Contributions subsequent to The measurement date	232,163	-	5,611	-	11,491	-
	<u>\$ 602,045</u>	<u>\$ 121,471</u>	<u>\$ 18,099</u>	<u>\$ 2,820</u>	<u>\$ 33,981</u>	<u>\$ 516</u>

\$232,163 for the primary government and \$17,102 for the component unit reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 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	<u>Primary Government</u>	<u>Connect Charter School</u>	<u>Swallows Charter Academy</u>
2020	\$ 48,071	\$ 1,675	\$ 4,319
2021	48,071	1,675	4,319
2022	48,071	1,675	4,320
2023	48,071	1,675	5,673
2024	48,073	1,675	3,222
2025	8,054	1,293	121
	<u>\$ 248,411</u>	<u>\$ 9,668</u>	<u>\$ 21,974</u>

Actuarial Assumptions

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

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

Actuarial Assumptions (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 aggregate
Long-term investment rate of return, net OPEB plan investment expense including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure::	
Service-based premium subsidy	0.00%
PERACare Medicare plan	5.00%
Medicare Part A premiums	3.25% for 2018, gradually rising to 5.00% in 2025

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.

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

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

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

	Cost for Members Without Medicare Part A
Medicare Plan	
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.

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

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

Actuarial Assumptions (Continued)

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

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

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

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

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

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

Healthy, post-retirement mortality assumptions for the 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

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

Actuarial Assumptions (Continued)

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability - Primary Government	\$ 6,730,040	\$ 6,921,161	\$ 7,140,983
Net OPEB Liability - Connect Charter School	\$ 168,496	\$ 173,281	\$ 178,785
Net OPEB Liability - Swallows Charter Academy	\$ 329,760	\$ 339,125	\$ 349,896

Discount Rate

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2019

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<u>Primary Government</u>			
Proportionate share of the net OPEB liability	\$ 7,744,176	\$ 6,921,161	\$ 6,217,559
<u>Connect Charter School</u>			
Proportionate share of the net OPEB liability	\$ 193,886	\$ 173,281	\$ 155,665
<u>Swallows Charter Academy</u>			
Proportionate share of the net OPEB liability	\$ 379,451	\$ 339,125	\$ 304,650

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.

NOTE J - CAPITAL LEASES AND OTHER LONG-TERM OBLIGATIONS

The District has entered into several capital lease agreements for the purchase of equipment and other assets. The lease terms range from 4 to 15 years with interest ranging from 2.596% to 7.5%. The District has also issued a Quality Zone Academy Bonds with a final maturity in 2023 and interest at .59% for the purchase of computer and related technology equipment. Build America Bonds with a final maturity in 2031 and interest at 5.5% for building improvements. In January 2015 the District issued certificates of participation (Cops) with interest rates ranging from 1.5% to 3.75% and final maturity in 2034. The Cops were issued to finance building improvements. Other long-term obligations include accrued compensated absences and a Colorado Department of Education (CDE) funding adjustment. A summary of the changes for the fiscal year follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>Current Portion</u>
<u>Governmental Activities</u>					
Capital Leases:					
Vehicles and equipment	\$ 16,984,461	\$ 356,994	\$ 936,219	\$ 16,405,236	\$ 1,556,213
Quality Zone Academy Bonds	931,341	-	183,000	748,341	185,000
Build America Bonds	3,991,829	-	314,911	3,676,918	335,162
Certificates of Participation	7,075,000	-	360,000	6,715,000	365,000
Compensated absences	5,844,734	330,079	-	6,174,813	-
CDE Funding	41,961	-	-	41,961	-
Total Governmental Activities	\$ 34,869,326	\$ 687,073	\$ 1,794,130	\$ 33,762,269	\$ 2,441,375
<u>Component Unit Activities</u>					
Bond payable	\$ 3,515,000	\$ -	\$ 45,000	\$ 3,470,000	\$ 50,000
Note payable - building	-	1,350,000	18,273	1,331,727	38,157
Compensated absences	64,881	8,126	-	73,007	-
Total Component Unit Activities	\$ 3,579,881	\$ -	\$ 63,273	\$ 4,874,734	\$ 88,157

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

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

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

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

In December 2018 the Connect Charter School entered into a note payable to purchase the building that it currently uses for the charter school. The note term is for 10 years with interest at 5.75% per annum. Monthly payments are \$9,478 for 120 months with one final balloon payment of \$863,480.07.

The component unit revenue bonds payable has the following maturities:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 50,000	\$ 184,308	\$ 234,308
2021	55,000	181,499	236,499
2022	60,000	178,422	238,422
2023	60,000	175,212	235,212
2024	65,000	171,869	236,869
2025 - 2028	3,180,000	572,718	3,752,718
Total	\$ 3,470,000	\$ 1,464,028	\$ 4,934,028

The component unit's note payable has the following maturities

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 38,157	\$ 75,579	\$ 113,736
2021	40,410	73,326	113,736
2022	42,795	70,941	113,736
2023	45,322	68,414	113,736
2024	47,998	65,738	113,736
2025 - 2029	1,117,045	258,247	1,375,292
Total	\$ 1,331,727	\$ 612,245	\$ 1,943,972

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

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

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

Fiscal Year Ending	Capital Leases		Governmental Funds Quality Zone Academy		Build America Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,556,213	\$ 703,186	\$ 185,000	\$ 4,415	\$ 335,163	\$ 236,046
2021	1,666,843	529,109	186,000	3,324	356,719	214,489
2022	1,598,452	475,641	188,000	2,226	379,665	191,544
2023	821,782	425,382	189,341	1,117	404,088	167,120
2024	852,905	394,259	-	-	430,086	141,122
2025 - 29	4,576,866	1,472,444	-	-	1,364,947	362,422
2030 - 34	5,332,175	592,795	-	-	406,250	27,310
Total	\$ 16,405,236	\$ 4,592,816	\$ 748,341	\$ 11,082	\$ 3,676,918	\$ 1,340,053

Minimum annual lease payments (continued)

Fiscal Year Ending	COPS	
	Principal	Interest
2020	\$ 365,000	\$ 218,303
2021	370,000	210,637
2022	380,000	201,850
2023	390,000	192,350
2024	400,000	182,112
2025 - 29	2,200,000	714,403
2030 - 34	2,610,000	299,350
Total	\$ 6,715,000	\$ 2,019,005

NOTE K - GENERAL OBLIGATION BONDS

General obligation bonds payable and payments on the bonds for the fiscal year ended June 30, 2019 are comprised of the following:

\$26,400,000 2001 Series General Obligation Refunding bonds, due in semi-annual installments with annual payments ranging from \$120,000 to \$3,985,000 through December 1, 2019. Interest rates range from 3.25% - 5.0%.	\$ 3,985,000
\$17,095,000 2010 Series General Obligation Refunding Bonds, due in semi-annual installments with annual payments ranging from \$80,000 to \$2,040,000 through December 1, 2022. Interest rate 2.984%.	7,640,000
\$8,790,000 2011 Series General Obligation Refunding Bonds, due in semi-annual installments with annual payments ranging from \$1,100,000 to \$2,040,000 through December 2, 2010. Interest rates range from 2.0% to 4.0%.	1,100,000
\$59,545,000 2013 Series General Obligation Bonds, due in semi-annual installments with annual payments ranging from \$905,000 to \$5,800,000 through December 1, 2032. Interest rates range from 2.0% to 5%.	57,480,000
	<u>\$ 70,205,000</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

NOTE K - GENERAL OBLIGATION BONDS (Continued)

	<u>July 1, 2018</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2019</u>	<u>Current Portion</u>
General Obligation Bonds					
Refunding 2001	\$ 7,780,000	\$ -	\$ 3,795,000	\$ 3,985,000	\$ 3,985,000
Refunding 2010	9,330,000	-	1,690,000	7,640,000	1,775,000
Refunding 2011	1,100,000	-	-	1,100,000	-
Building 2013	57,480,000	-	-	57,480,000	-
Unamortized premiums	<u>4,658,492</u>	<u>-</u>	<u>366,549</u>	<u>4,291,943</u>	<u>-</u>
Totals	\$ 80,348,492	\$ -	\$ 5,851,549	\$ 74,496,943	\$ 5,760,000

Future years repayment schedule:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,760,000	\$ 2,724,244	\$ 8,484,244
2021	4,960,000	2,486,681	7,446,681
2022	5,150,000	2,287,669	7,437,669
2023	5,360,000	2,072,469	7,432,469
2024	5,580,000	1,851,119	7,431,119
2025 - 2029	25,060,000	6,150,794	31,210,794
2030 - 2033	<u>18,335,000</u>	<u>1,471,965</u>	<u>19,806,965</u>
Total	\$ 70,205,000	\$ 19,044,941	\$ 89,249,941

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

NOTE L - INTERFUND RECEIVABLES AND PAYABLES

A summary of the interfund receivables and payables at June 30, 2019 as reported in the balance sheet for government funds follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$ 541,687	\$ 1,487,487
Nonmajor Governmental Funds	310,132	533,441
Fiduciary Fund	-	87,674
Component Unit	<u>1,494,164</u>	<u>237,381</u>
Total All Funds	\$ 2,345,983	\$ 2,345,983

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

NOTE M - INTERFUND TRANSFERS

Transfers and allocations are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers during the fiscal year ending June 30, 2019 consisted of transfers and allocations to nonmajor governmental funds from the general fund in the amount of \$1,140,346.

NOTE N - FUND BALANCES

Government-wide and Proprietary Fund Net Assets:

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

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

Governmental Fund Balances

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

NOTE N - FUND BALANCES (Continued)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances				
Nonspendable				
Inventory	\$ 52,342	\$ -	\$ 63,268	\$ 115,610
Restricted				
Tabor reserve	2,250,900	-	100,400	2,351,300
Preschool reserve	2	-	-	2
Grant restriction	-	-	20,110	20,110
Debt service	-	13,886,255	-	13,886,255
Total Restricted	<u>2,250,902</u>	<u>13,886,255</u>	<u>120,510</u>	<u>16,257,667</u>
Assigned				
Capital reserve	689,767	-	-	689,767
Insurance reserve	460,094	-	-	460,094
Food service	-	-	548,076	548,076
Designated grants	-	-	522,767	522,767
Athletic fund	-	-	155,282	155,282
Foundation	-	-	15,712	15,712
Total Assigned	<u>1,149,861</u>	<u>-</u>	<u>1,241,837</u>	<u>2,391,698</u>
Unassigned				
General Government	5,933,603	-	-	5,933,603
Total Fund Balances	<u>\$ 9,386,708</u>	<u>\$ 13,886,255</u>	<u>\$ 1,425,615</u>	<u>\$ 24,698,578</u>

NOTE O - JOINT VENTURE

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

NOTE P - COMMITMENTS AND CONTINGENCIES

Tax, Revenue, Spending and Debt Limitation

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

NOTE P - COMMITMENTS AND CONTINGENCIES (Continued)

Tax, Revenue, Spending and Debt Limitation (Continued)

In addition to the tax raising, revenue, spending and debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies establish an "emergency reserve". To be used for declared emergencies only, each entity must reserve 3% or more of its fiscal year spending excluding bonded debt service. For the year ended June 30, 2017, the School District's reserve requirement was approximately \$2,351,300 and \$314,600 for its component units which represents 3% of fiscal year spending. The District has recognized the emergency reserve in the Insurance Reserve Fund, the Preschool Fund, the Capital Reserve Fund, the Designated Grants Fund, the Food Service Fund, the Athletic Fund and the Component Unit.

Federal and State Grants

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

Economic Dependency

Funding provided by the State to all public school systems in Colorado is primarily based upon the October 1 student count. The State provided \$58,262,959, which represents approximately 62% of the District's total governmental fund revenues for the year.

Arbitrage Liability

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

NOTE Q - NET CHANGES IN AGENCY FUNDS

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Funds Held - June 30, 2018	\$ -	\$ -	\$ 1,152,609
Revenue	3,389,668	3,389,668	2,279,454
Expenditures	<u>3,389,668</u>	<u>3,389,668</u>	<u>2,282,525</u>
Funds Held - June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,149,538</u>

The fund balance as of June 30, 2019 on the District's general ledger is reported as the Statement of Fiduciary Net Position.

NOTE R - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recognized as of June 30, 2018 and summarized as follow:

	<u>Food Service Fund</u>	<u>Primary Government Net Position</u>	<u>Connect Fund Balance</u>	<u>Component Unit Net Position</u>
June 30, 2018 (as originally stated)	\$ 784,912	\$ (167,266,436)	\$ 1,773,995	\$ (3,960,582)
Food Service Fund student meal account balance	(44,771)	(44,771)	-	-
Assets held by primary government	-	-	418,359	418,359
Net position at June 30, 2018 (restated)	<u>\$ 740,141</u>	<u>\$ (167,311,207)</u>	<u>\$ 2,192,354</u>	<u>\$ (3,542,223)</u>

OTHER REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**BUDGET AND ACTUAL (BUDGET BASIS)****GENERAL FUND**

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

	Budgeted Amount			Variance With
	Original	Final	Actual	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Local property tax	\$ 18,943,387	\$ 18,595,827	\$ 18,789,211	\$ 193,384
Specific ownership tax	650,098	1,846,157	2,877,443	1,031,286
State sources	57,616,673	57,622,200	58,120,930	498,730
Federal sources	1,405,079	1,433,364	1,592,759	159,395
Other sources	1,040,676	1,200,486	1,347,353	146,867
Fund allocations	(6,628,435)	(6,536,634)	(6,884,830)	(348,196)
Total Revenues	73,027,478	74,161,400	75,842,866	1,681,466
Expenditures				
Direct instruction	41,638,267	42,372,377	42,123,501	248,876
Indirect instruction	15,482,524	16,042,573	16,230,956	(188,383)
Transportation	2,718,119	2,718,119	2,828,895	(110,776)
Custodial and maintenance	5,017,200	5,035,875	4,884,532	151,343
Other support services	3,992,185	4,140,708	4,522,056	(381,348)
General administration	444,061	464,077	642,233	(178,156)
Capital outlay	13,264,473	13,999,473	13,612,963	386,510
Debt service:				
Principal retirement	1,899,714	1,898,462	1,812,403	86,059
Interest and fiscal charges	444,062	517,435	615,628	(98,193)
Contingency	7,520,359	6,837,708	-	6,837,708
Total Expenditures	92,420,964	94,026,807	87,273,167	6,753,640
Excess of Revenues Over				
(Under) Expenditures	(19,393,486)	(19,865,407)	(11,430,301)	8,435,106
Other Financing Sources (Uses)				
Transfers to other funds	(1,310,000)	(1,310,000)	(1,140,346)	169,654
Transfers from other funds	-	-	-	-
Proceeds from capital lease	-	-	356,994	356,994
Total Other Financing Sources (Uses)	(1,310,000)	(1,310,000)	(783,352)	526,648
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	(20,703,486)	(21,175,407)	(12,213,653)	8,961,754
Fund Balances - July 1	20,703,486	21,175,407	21,600,361	21,600,361
Fund Balances - June 30	\$ -	\$ -	\$ 9,386,708	\$ 30,562,115

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE -

SCHOOL DIVISION TRUST FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Primary Government						
School's proportion (percentage) of the net pension liability	0.79110857540%	0.90530820530%	0.85941073360%	0.84404636939%	0.8709059842%	0.8762041253%
School's proportionate share of the net pension liability	\$ 140,043,850	\$ 292,709,997	\$ 255,845,307	\$ 129,059,082	\$ 118,019,596	\$ 111,759,600
School's covered payroll	\$ 43,481,809	\$ 42,055,165	\$ 40,257,198	\$ 37,389,300	\$ 36,719,056	\$ 36,636,231
School's proportionate share of the net pension liability as a percentage of covered payroll	322.07%	696.01%	635.53%	345.18%	321.41%	305.05%
Plan fiduciary net position as a percentage of the total pension liability	57.01%	43.96%	43.10%	59.20%	62.80%	64.06%
Connect Charter School - Component Unit						
School's proportion (percentage) of the net pension liability	0.01975653620%	0.02168941170%	0.02107794920%	0.02102697560%	0.0203314245%	0.0238526492%
School's proportionate share of the net pension liability	\$ 3,497,732	\$ 7,012,752	\$ 6,274,888	\$ 3,215,095	\$ 2,755,184	\$ 3,042,399
School's covered payroll	\$ 1,086,123	\$ 1,007,187	\$ 988,197	\$ 927,496	\$ 888,415	\$ 907,305
School's proportionate share of the net pension liability as a percentage of covered payroll	322.04%	696.27%	634.98%	346.64%	310.12%	335.32%
Plan fiduciary net position as a percentage of the total pension liability	57.01%	43.96%	43.10%	59.20%	62.80%	64.06%
Swallows Academy - Component Unit						
School's proportion (percentage) of the net pension liability	0.0384%	0.0416%	0.0410%	0.0378%	0.0399000000%	Not
School's proportionate share of the net pension liability	\$ 6,790,062	\$ 13,455,619	\$ 12,204,877	\$ 5,781,491	\$ 5,413,115	Determined by
School's covered payroll	\$ 2,108,123	\$ 1,919,480	\$ 1,839,444	\$ 1,647,388	\$ 1,563,473	Swallows
School's proportionate share of the net pension liability as a percentage of covered payroll	322.10%	701.00%	663.50%	350.90%	346.20%	Academy
Plan fiduciary net position as a percentage of the total pension liability	57.01%	43.96%	43.10%	59.20%	62.80%	

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

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

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - SCHOOL DIVISION TRUST FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Primary Government						
Statutorily required contributions	\$ 8,761,584	\$ 7,940,512	\$ 7,402,323	\$ 6,632,003	\$ 6,142,030	\$ 5,785,691
Contributions in relation to the statutorily required contributions	<u>8,761,584</u>	<u>7,940,512</u>	<u>7,402,323</u>	<u>6,632,003</u>	<u>6,142,030</u>	<u>5,785,691</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 43,481,809	\$ 42,055,165	\$ 40,257,198	\$ 37,389,300	\$ 36,719,056	\$ 36,636,231
Contribution as a percentage of covered payroll	20.15%	18.88%	18.39%	17.73%	16.73%	15.79%
Connect Charter School - Component Unit						
Statutorily required contributions	\$ 218,854	\$ 186,395	\$ 181,687	\$ 164,441	\$ 150,035	\$ 144,879
Contributions in relation to the statutorily required contributions	<u>218,854</u>	<u>186,395</u>	<u>181,687</u>	<u>164,441</u>	<u>150,035</u>	<u>144,879</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,086,123	\$ 1,007,187	\$ 988,197	\$ 927,496	\$ 888,415	\$ 907,305
Contribution as a percentage of covered payroll	20.15%	18.51%	18.39%	17.73%	16.89%	15.97%
Swallows Academy - Component Unit						
Statutorily required contributions	\$ 261,027	\$ 367,176	\$ 368,788	\$ 325,424	\$ 289,100	\$ 261,027
Contributions in relation to the statutorily required contributions	<u>261,027</u>	<u>367,176</u>	<u>368,788</u>	<u>325,424</u>	<u>289,100</u>	<u>261,027</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,559,857	\$ 1,949,780	\$ 1,900,850	\$ 1,734,075	\$ 1,614,650	\$ 1,559,857
Contribution as a percentage of covered payroll	16.73%	18.83%	19.40%	18.77%	17.90%	16.73%

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

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

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE -

HEALTH CARE TRUST FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Primary Government			
School's proportion (percentage) of the net pension liability	0.5142%	0.5144%	0.4885%
School's proportionate share of the net pension liability	\$ 6,921,161	\$ 6,687,047	\$ 6,333,560
School's covered payroll	\$ 43,481,809	\$ 4,176,063	\$ 38,571,889
School's proportionate share of the net pension liability as a percentage of covered payroll	15.92%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total pension liability	17.03%	17.53%	16.72%
 Connect Charter School - Component Unit			
School's proportion (percentage) of the net pension liability	0.01284%	0.01232%	0.01198%
School's proportionate share of the net pension liability	\$ 173,281	\$ 160,334	\$ 155,337
School's covered payroll	\$ 1,086,123	\$ 1,000,507	\$ 946,016
School's proportionate share of the net pension liability as a percentage of covered payroll	15.95%	16.02%	16.42%
Plan fiduciary net position as a percentage of the total pension liability	17.03%	17.53%	16.72%
 Swallows Academy - Component Unit			
School's proportion (percentage) of the net pension liability	0.0249%	0.0236%	0.0233%
School's proportionate share of the net pension liability	\$ 339,125	\$ 307,274	\$ 302,034
School's covered payroll	\$ 2,108,122	\$ 1,919,480	\$ 1,839,444
School's proportionate share of the net pension liability as a percentage of covered payroll	16.09%	16.00%	16.40%
Plan fiduciary net position as a percentage of the total pension liability	17.03%	17.53%	16.72%

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

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

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - HEALTH CARE TRUST FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Primary Government			
Statutorily required contributions	\$ 443,514	\$ 428,963	\$ 410,623
Contributions in relation to the statutorily required contributions	<u>443,514</u>	<u>428,963</u>	<u>410,623</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 43,481,809	\$ 42,055,165	\$ 40,257,199
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%
 Connect Charter School - Component Unit			
Statutorily required contributions	\$ 11,078	\$ 10,273	\$ 10,079
Contributions in relation to the statutorily required contributions	<u>11,078</u>	<u>10,273</u>	<u>10,079</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,086,123	\$ 1,007,187	\$ 988,197
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%
 Swallows Academy - Component Unit			
Statutorily required contributions	\$ 19,389	\$ 19,888	\$ 19,389
Contributions in relation to the statutorily required contributions	<u>19,389</u>	<u>19,888</u>	<u>19,389</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,900,850	\$ 1,949,780	\$ 1,900,850
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%

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

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

COMBINING FUND STATEMENTS

NON MAJOR FUNDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

	<u>Food Service Fund</u>	<u>Pupil Athletic Fund</u>	<u>Governmental Designated Purpose Grants Fund</u>	<u>The School District 70 Education Foundation</u>	<u>Totals</u>
<u>Assets</u>					
Cash in bank and on hand	\$ 654,091	\$ 219,845	\$ 474,078	\$ 15,712	\$ 1,363,726
Investments at fair value	-	-	75,014	-	75,014
Accounts receivable	5,212	-	-	-	5,212
Due from other funds	-	87,593	222,539	-	310,132
Accrued federal revenue	251,501	-	881,055	-	1,132,556
Inventories	63,268	-	-	-	63,268
Total Assets	974,072	307,438	1,652,686	15,712	2,949,908
<u>Liabilities</u>					
Accounts payable	30,513	6,441	30,684	-	67,638
Accrued salaries and P.E.R.A.	231,045	94,015	452,622	-	777,682
Due to other funds	-	-	304,225	-	304,225
Due to component unit	-	-	229,216	-	229,216
Unearned revenue	56,070	-	89,462	-	145,532
Total Liabilities	317,628	100,456	1,106,209	-	1,524,293
<u>Fund Balance</u>					
Nonspendable	63,268	-	-	-	63,268
Restricted	45,100	51,700	23,710	-	120,510
Assigned	548,076	155,282	522,767	15,712	1,241,837
Total Fund Balances	\$ 656,444	\$ 206,982	\$ 546,477	\$ 15,712	\$ 1,425,615

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

	<u>Food Service Fund</u>	<u>Pupil Athletic Fund</u>	<u>Governmental Designated Purpose Grants Fund</u>	<u>The School District 70 Education Foundation</u>	<u>Totals</u>
Revenues					
State sources	\$ 78,183	\$ -	\$ 63,846	\$ -	\$ 142,029
Federal sources	2,482,449	-	3,940,296	-	6,422,745
Other sources	1,498,218	553,879	163,177	30,630	2,245,904
Fund allocations	-	-	-	-	-
Total Revenues	<u>4,058,850</u>	<u>553,879</u>	<u>4,167,319</u>	<u>30,630</u>	<u>8,810,678</u>
Expenditures					
Direct instruction	-	1,416,964	2,801,908	-	4,218,872
Indirect instruction	-	-	1,134,202	-	1,134,202
Transportation	-	169,537	-	-	169,537
Custodial and maintenance	48,010	-	1,411	-	49,421
Other support services	3,962,645	32	58,343	19,902	4,040,922
General administration	-	-	70,262	-	70,262
Capital outlay	131,892	-	17,936	-	149,828
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>4,142,547</u>	<u>1,586,533</u>	<u>4,084,062</u>	<u>19,902</u>	<u>9,833,044</u>
Excess of Revenues Over (Under) Expenditures	<u>(83,697)</u>	<u>(1,032,654)</u>	<u>83,257</u>	<u>10,728</u>	<u>(1,022,366)</u>
Other Financing Sources (Uses)					
Transfer to other funds	-	-	-	-	-
Transfers from other funds	-	1,140,346	-	-	1,140,346
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,140,346</u>	<u>-</u>	<u>-</u>	<u>1,140,346</u>
Net Change in Fund Balance	<u>(83,697)</u>	<u>107,692</u>	<u>83,257</u>	<u>10,728</u>	<u>117,980</u>
Fund Balances - July 1 (Restated)	<u>740,141</u>	<u>99,290</u>	<u>463,220</u>	<u>4,984</u>	<u>1,307,635</u>
Fund Balances - June 30	<u>\$ 656,444</u>	<u>\$ 206,982</u>	<u>\$ 546,477</u>	<u>\$ 15,712</u>	<u>\$ 1,425,615</u>

**OTHER SUPPLEMENTARY
INFORMATION**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

PUPIL ATHLETIC FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other sources	\$ 477,919	\$ 477,919	\$ 553,879	\$ 75,960
Expenditures				
Direct instruction	1,638,119	1,638,119	1,416,964	221,155
Indirect instruction	-	-	-	-
Transportation	138,300	138,300	169,537	(31,237)
Other support services	1,500	1,500	32	1,468
Capital outlay	-	-	-	-
Total Expenditures	<u>1,777,919</u>	<u>1,777,919</u>	<u>1,586,533</u>	<u>191,386</u>
Excess of Revenues Over (Under) Expenditures	(1,300,000)	(1,300,000)	(1,032,654)	267,346
Other Financing Sources (Uses)				
Transfers from other funds	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,140,346</u>	<u>(159,654)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	107,692	107,692
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>99,290</u>	<u>99,290</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,982</u>	<u>\$ 206,982</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

	<u>Budgeted Amount</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Federal sources	\$ 3,699,189	\$ 4,205,681	\$ 3,940,296	\$ (265,385)
State sources	55,768	55,768	63,846	8,078
Other sources	<u>863,090</u>	<u>1,031,983</u>	<u>163,177</u>	<u>(868,806)</u>
Total Revenues	<u>4,618,047</u>	<u>5,293,432</u>	<u>4,167,319</u>	<u>(1,126,113)</u>
Expenditures				
Direct instruction	3,482,650	3,882,154	2,801,908	1,080,246
Indirect instruction	1,046,002	1,265,901	1,134,202	131,699
Custodial and maintenance	-	-	1,411	(1,411)
Other support services	71,237	70,378	58,343	12,035
General administration	18,158	74,999	70,262	4,737
Capital outlay	-	-	17,936	(17,936)
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>4,618,047</u>	<u>5,293,432</u>	<u>4,084,062</u>	<u>1,209,370</u>
Excess of Revenues Over (Under) Expenditures	-	-	83,257	83,257
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>463,220</u>	<u>463,220</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 546,477</u>	<u>\$ 546,477</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

DEBT SERVICE FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

	<u>Budgeted Amount</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Taxes	\$ 9,213,853	\$ 9,213,853	\$ 8,996,931	\$ (216,922)
Other sources	<u>50,000</u>	<u>50,000</u>	<u>209,383</u>	<u>159,383</u>
Total Revenues	<u>9,263,853</u>	<u>9,263,853</u>	<u>9,206,314</u>	<u>(57,539)</u>
Expenditures				
Debt service:				
Principal retirement	3,005,369	3,005,369	5,485,000	(2,479,631)
Interest and fiscal charges	5,495,000	5,495,000	3,015,073	2,479,927
Contingency	<u>763,484</u>	<u>763,484</u>	<u>-</u>	<u>763,484</u>
Total Expenditures	<u>9,263,853</u>	<u>9,263,853</u>	<u>8,500,073</u>	<u>763,780</u>
Excess of Revenues Over (Under) Expenditures	-	-	706,241	706,241
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>13,180,014</u>	<u>13,180,014</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,886,255</u>	<u>\$ 13,886,255</u>

STATEMENT OF REVENUES EXPENSES AND CHANGE IN NET ASSETS**BUDGET AND ACTUAL (BUDGET BASIS)****FOOD SERVICE FUND**

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

	<u>Budgeted Amount</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Federal sources	\$ 2,530,500	\$ 2,530,500	\$ 2,482,449	\$ (48,051)
State sources	75,700	75,700	78,183	2,483
Local sources	<u>1,461,500</u>	<u>1,461,500</u>	<u>1,498,218</u>	<u>36,718</u>
Total Revenues	<u>4,067,700</u>	<u>4,067,700</u>	<u>4,058,850</u>	<u>(8,850)</u>
Expenditures				
Indirect instructional	-	-	-	-
Custodial and maintenance	20,200	61,605	48,010	13,595
Other support services	3,919,500	3,878,095	3,962,645	(84,550)
Capital outlay	<u>128,000</u>	<u>128,000</u>	<u>131,892</u>	<u>(3,892)</u>
Total Expenditures	<u>4,067,700</u>	<u>4,067,700</u>	<u>4,142,547</u>	<u>(74,847)</u>
Excess of Revenues Over (Under) Expenditures	-	-	(83,697)	(83,697)
Fund Balances - July 1 (Restated)	-	-	740,141	740,141
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656,444</u>	<u>\$ 656,444</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

EDUCATION FOUNDATION

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

	<u>Budgeted Amount</u>			<u>Variance With</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State sources	\$ -	\$ -	\$ -	\$ -
Other sources	25,000	25,000	30,630	5,630
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>30,630</u>	<u>5,630</u>
Expenditures				
Other support services	25,000	25,000	19,902	5,098
Capital Outlay	-	-	-	-
Total Expenditures	<u>25,000</u>	<u>25,000</u>	<u>19,902</u>	<u>5,098</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>10,728</u>	<u>10,728</u>
Other Financing Sources (Uses)				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>10,728</u>	<u>10,728</u>
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>4,984</u>	<u>4,984</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,712</u>	<u>\$ 15,712</u>

COMBINING BALANCE SHEET
COMPONENT UNIT - CHARTER SCHOOLS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

	Villa Bella <u>Expeditionary</u>	Connect School	Swallows Charter <u>Academy</u>	Total Charter Schools
<u>Assets</u>				
Cash in bank and on hand	\$ 2,254	\$ 90,091	\$ 632,318	\$ 724,663
Due from the District	229,216	1,175,862	89,086	1,494,164
Accounts receivable	-	-	360,940	360,940
Assets held in the general fund	-	494,068	-	494,068
Prepaid expenses	-	-	35,673	35,673
Total Assets	<u>231,470</u>	<u>1,760,021</u>	<u>1,118,017</u>	<u>3,109,508</u>
<u>Liabilities and Fund Balances</u>				
Accounts payable	7,000	14,560	32,132	53,692
Accrued salaries and P.E.R.A.	-	158,195	167,877	326,072
Due to the District	<u>237,381</u>	<u>-</u>	<u>-</u>	<u>237,381</u>
Total Liabilities	<u>244,381</u>	<u>172,755</u>	<u>200,009</u>	<u>617,145</u>
<u>Fund Balances</u>				
Nonspendable	-	-	35,673	35,673
Restricted - Tabor Reserve	-	62,600	152,000	214,600
Assigned - Charter School Operations	<u>(12,911)</u>	<u>1,524,666</u>	<u>730,335</u>	<u>2,242,090</u>
Total Fund Balances	<u>\$ (12,911)</u>	<u>\$ 1,587,266</u>	<u>\$ 918,008</u>	<u>\$ 2,492,363</u>

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
COMPONENT UNIT - CHARTER SCHOOLS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

	Villa Bella <u>Expeditionary</u>	Connect School	Swallows Charter <u>Academy</u>	Total Charter <u>Schools</u>
Total Fund Balances - Governmental Fund	\$ (12,911)	\$ 1,587,266	\$ 918,008	\$ 2,492,363
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in governmental funds.	23,681	2,253,142	1,236,475	3,513,298
Expenditures for services which benefit future periods are treated as prepaid expenses and included in current assets in the government wide financial statements.	-	20,000	-	20,000
Internal service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	-	-	(204,992)	(204,992)
Long term liability for the note payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.	-	(1,331,727)	-	(1,331,727)
Long term liability for compensated absences are not due and payable in the current period and, therefore, are not reported in the government funds.	-	(73,007)	-	(73,007)
Deferred activity related to pension assumptions are not recorded and included in the governmental funds.	-	1,665,924	2,083,515	3,749,439
Deferred activity related to OPEB assumptions are not recorded and included in the governmental funds.	-	18,099	33,981	52,080
Pension contributions subsequent to plan measurement date are not included in the long term liability and are deferred.	-	(3,556,514)	(4,789,362)	(8,345,876)
OPEB contributions subsequent to plan measurement date are not included in the long term liability and are deferred.	-	(2,820)	(516)	(3,336)
The long-term liabilities for pension are not due and payable in the current period, and therefore, are not reported in the governmental funds.	-	(3,497,732)	(6,790,062)	(10,287,794)
The long-term liabilities for OPEB are not due and payable in the current period, and therefore, are not reported in the governmental funds.	-	(173,281)	(339,125)	(512,406)
Total Net Position - Government Activities	<u>\$ 10,770</u>	<u>\$ (3,090,650)</u>	<u>\$ (7,852,078)</u>	<u>\$ (10,931,958)</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**COMPONENT UNIT - CHARTER SCHOOLS**

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

	<u>Villa Bella Expeditionary</u>	<u>Connect School</u>	<u>Swallows Charter Academy</u>	<u>Total Charter Schools</u>
Revenues				
Other sources	\$ -	\$ 48	\$ 152,202	\$ 152,250
Federal and State sources	229,216	107,111	227,102	563,429
Fund allocations	-	2,119,758	4,888,547	7,008,305
Total Revenues	<u>229,216</u>	<u>2,226,917</u>	<u>5,267,851</u>	<u>7,723,984</u>
Expenditures				
Direct instruction	155,035	1,228,578	2,725,071	4,108,684
Indirect instruction	46,532	432,817	-	479,349
Custodial and maintenance	-	142,306	-	142,306
Other support services	16,780	41,959	2,622,926	2,681,665
General administration	-	28,945	-	28,945
Capital outlay	23,780	2,250,532	-	2,274,312
Debt Service				
Principal retirement	-	18,273	-	18,273
Interest	-	38,595	-	38,595
Total Expenditures	<u>242,127</u>	<u>4,182,005</u>	<u>5,347,997</u>	<u>9,772,129</u>
Excess of Revenues Over (Under) Expenditures	(12,911)	(1,955,088)	(80,146)	(2,048,145)
Other Financing Sources				
Proceeds from capital lease	-	1,350,000	-	1,350,000
Net Change in Fund Balance	(12,911)	(605,088)	(80,146)	(698,145)
Fund Balances - July 1 (Restated Connect Only)	-	2,192,354	998,154	3,190,508
Fund Balances - June 30	<u>\$ (12,911)</u>	<u>\$ 1,587,266</u>	<u>\$ 918,008</u>	<u>\$ 2,492,363</u>

RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF NET ACTIVITIES
COMPONENT UNIT - CHARTER SCHOOLS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2019

	Villa Bella <u>Expeditionary</u>	Connect School	Swallows Charter <u>Academy</u>	Total Charter <u>Schools</u>
Total Change in Fund Balances - General Fund	\$ (12,911)	\$ (605,088)	\$ (80,146)	\$ (698,145)
Governmental funds report capital outlay as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amounts by which capital outlay (\$23,780), (\$2,250,532) and (\$98,185), respectively, exceeds depreciation expense (\$99), (\$30,194) and (\$95,539).	23,681	2,220,338	2,646	2,246,665
Expenditures for services which benefit a future period are reported as prepaid expenses and included in current assets in the government wide statement of net position. In the governmental fund financial statements they are treated as expenditures when paid.	-	20,000	-	20,000
The internal service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities.	-	-	(110,857)	(110,857)
Retirements of principal outstanding on debt result in a reduction of accumulated resources on the fund financial statements. The government wide statements show these reductions against the long-term liability.	-	18,273	-	18,273
Some capital assets acquired this year were financed with a note payable. These amounts are reported in the governmental funds as a source of financing. On the other hand, these financing sources are not revenues in the statement of activities, but rather constitute a long-term liability in the statement of net position.	-	(1,350,000)	-	(1,350,000)
In the government-wide statements accrued compensated absences are measured by the amount earned and unused. In the governmental funds, the expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts paid). Therefore, the change in the accrued compensated absences is recognized.	-	(8,126)	-	(8,126)
Net pension and OPEB related items are reported in the statement of activity and do not require the use of current financial sources, and therefore are not reported in the governmental funds.	-	156,176	257,013	413,189
Total Net Position - Government Activities	<u>\$ 10,770</u>	<u>\$ 451,573</u>	<u>\$ 68,656</u>	<u>\$ 530,999</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

VILLA BELLA EXPEDITIONARY

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

	<u>Budgeted Amount</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Federal sources	-	229,250	229,216	(34)
Total Revenues	-	229,250	229,216	(34)
Expenditures				
Direct instruction	-	212,749	155,035	57,714
Indirect instruction	-	9,340	46,532	(37,192)
Custodial and maintenance	-	-	-	-
Other support services	-	-	16,780	(16,780)
General administration	-	-	-	-
Capital outlay	-	-	23,780	(23,780)
Contingency	-	7,161	-	7,161
Total Expenditures	-	229,250	242,127	(12,877)
Excess of Revenues Over (Under) Expenditures	-	-	(12,911)	(12,911)
Fund Balances - July 1	-	-	-	-
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,911)</u>	<u>\$ (12,911)</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

CONNECT SCHOOL

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

	<u>Budgeted Amount</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State sources	\$ -	\$ -	\$ 107,111	\$ 107,111
Other sources	-	-	48	48
Fund allocations	<u>1,902,797</u>	<u>1,890,966</u>	<u>2,119,758</u>	<u>228,792</u>
Total Revenues	<u>1,902,797</u>	<u>1,890,966</u>	<u>2,226,917</u>	<u>335,951</u>
Expenditures				
Direct instruction	1,357,268	1,277,470	1,228,578	48,892
Indirect instruction	520,305	544,181	432,817	111,364
Custodial and maintenance	47,833	48,580	142,306	(93,726)
Other support services	27,856	27,356	41,959	(14,603)
General administration	-	-	28,945	(28,945)
Capital outlay	80,000	1,430,000	2,250,532	(820,532)
Debt Service				
Principal retirement	-	-	18,273	(18,273)
Interest	-	-	38,595	(38,595)
Contingency	<u>1,483,775</u>	<u>1,686,874</u>	<u>-</u>	<u>1,686,874</u>
Total Expenditures	<u>3,517,037</u>	<u>5,014,461</u>	<u>4,182,005</u>	<u>832,456</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,614,240)</u>	<u>(3,123,495)</u>	<u>(1,955,088)</u>	<u>1,168,407</u>
Other Financing Sources				
Proceeds from note payable	<u>-</u>	<u>1,350,000</u>	<u>1,350,000</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(1,614,240)</u>	<u>(1,773,495)</u>	<u>(605,088)</u>	<u>1,168,407</u>
Fund Balances - July 1 - restated	<u>1,614,240</u>	<u>1,773,495</u>	<u>2,192,354</u>	<u>418,859</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,587,266</u>	<u>\$ 1,587,266</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

SWALLOWS CHARTER ACADEMY

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

	<u>Budgeted Amount</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Charges for services	\$ 75,000	\$ 75,000	\$ 83,782	\$ 8,782
Federal and state sources	157,125	160,875	227,102	66,227
Other	-	-	68,420	68,420
Fund allocations	<u>4,796,712</u>	<u>4,911,192</u>	<u>4,888,547</u>	<u>(22,645)</u>
Total Revenues	<u>5,028,837</u>	<u>5,147,067</u>	<u>5,267,851</u>	<u>120,784</u>
Expenditures				
Salaries	2,570,000	2,600,000	2,466,348	133,652
Employee benefits	772,620	778,600	667,433	111,167
Purchased services	1,552,700	1,537,500	1,448,974	88,526
Supplies and materials	197,000	214,000	209,035	4,965
Property	25,000	80,000	33,483	46,517
Other	<u>83,000</u>	<u>86,000</u>	<u>522,724</u>	<u>(436,724)</u>
Total Expenditures	<u>5,200,320</u>	<u>5,296,100</u>	<u>5,347,997</u>	<u>(51,897)</u>
Excess of Revenues Over (Under) Expenditures	<u>(171,483)</u>	<u>(149,033)</u>	<u>(80,146)</u>	<u>68,887</u>
Other Financing Sources				
Transfer to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(171,483)</u>	<u>(149,033)</u>	<u>(80,146)</u>	<u>68,887</u>
Fund Balances - July 1	<u>1,009,569</u>	<u>816,086</u>	<u>998,154</u>	<u>182,068</u>
Fund Balances - June 30	<u>\$ 838,086</u>	<u>\$ 667,053</u>	<u>\$ 918,008</u>	<u>\$ 250,955</u>

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through Colorado Department of Education			
Special Education - Grants to States	84.027	4027, 5027, 9027	\$ 1,536,087
Special Education - Preschool Grant	84.173	4173	18,924
Total Special Education Cluster			<u>1,555,011</u>
 Title I - Grants to Local Educational Agencies	 84.010	 4010	 1,084,769
Migrant Education - State Grant Program	84.011	4011	675,503
Career and Technical Education - Basic Grants to States	84.048	4048	60,591
English Language Acquisition Grants	84.365	4365	28,325
Improving Teacher Quality State Grants	84.367	4367	235,536
Colorado Charter Schools - Program & Grant	84.282A	5282	229,216
Student Support and Academic Enrichment Program	84.424	4424	<u>71,345</u>
 Total U.S. Department of Education			 <u>3,940,296</u>
<u>U.S. Department of Agriculture</u>			
Passed Through Colorado Department of Education			
School Breakfast Program	10.553	4553	688,557
National School Lunch Program	10.555	4555	1,514,885
Summer Food Service Program for Children	10.559	4559	30,366
Total Passed Through Colorado Department of Education			<u>2,233,808</u>
 Passed Through Colorado Department of Human Services			
School Breakfast Program-Commodities	10.553	4553	29,837
National School Lunch Program-Commodities	10.555	4555	218,804
Total Passed Through Colorado Department of Human Services			<u>248,641</u>
 Total U.S. Department of Agriculture / Child Nutrition Cluster			 <u>2,482,449</u>
<u>U.S. Department of Defense</u>			
Direct Program - Department of the Army			
Reserve Officer Training Corps (ROTC salary reimbursement)	12.Unknown	9001	<u>126,155</u>
 Total Other Federal Assistance			 <u>126,155</u>
 Total Federal Assistance			 <u>\$ 6,548,900</u>

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Pueblo County School District No. 70 under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance and /or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COSTS

The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D - RISK BASED AUDIT APPROACH

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

NOTE E - FOOD DISTRIBUTION

Commodities donated to the District by the U.S. Department of Agriculture (USDA) of \$248,641 are valued based on the USDA's Donated Commodity Price List.

NOTE F - AMOUNTS AWARDED TO SUB-RECIPIENTS

Included in the total amount expended for the Migrant Education Grant (CFDA #84.011) is \$20,355 that was passed through to three sub-recipients that administered the program in their own Districts.

Garren, Ross & DeNardo, Inc.

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

Independent Auditor's Report

February 18, 2020

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County School District No. 70 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February , 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 through 2019-008 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-009.

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

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

Purpose of this Report

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

Garren, Ross & DeNardo, Inc.

Garren, Ross & DeNardo, Inc.

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

Independent Auditor's Report

February 18, 2020

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

Report on Compliance for Each Major Federal Program

We have audited Pueblo County School District No. 70's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-009. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-007 and 2019-009, that we consider to be significant deficiencies.

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

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

Garrett Ross | DeNardo, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

SECTION I - SUMMARY OF AUDIT RESULTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? x yes no

Noncompliance material to financial statements noted?

 yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? x yes no

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

Unmodified

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

 x yes no

The programs tested as major programs were:

CFDA Number(s)

Name of Federal Program or Cluster

84.011

Migrant Education - State Grant Program

10.553

School Breakfast Program

10.555

National School Lunch Program

10.559

Summer Food Service Program for Children

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

2019-001 Tracking Grant Reimbursement Requests to Receipt

Condition and Context:

The District submitted grant reimbursement requests and the corresponding payments were not received or accurate. The discrepancies or non payment should have prompted an inquiry with the granting agency.

Criteria:

Procedures are in place to ensure grant funds are received and that they agree with the reimbursement requests.

Cause:

Procedures were not followed and discrepancies were not identified timely.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2019-001 Tracking Grant Reimbursement Requests to Receipt (Continued)

Effect:

Funds were not received from a request for June 2019 expenditures and a discrepancy in a prior years' request was not identified until field work. The June 2019 error has been corrected but the prior years' request is still being investigated. It's possible the funds are no longer available.

Recommendation:

The District will need to reinforce their procedures to follow through on receipt of grant funds to avoid future discrepancies or loss of grant funds.

Response:

The School District will review the procedures established with staff to ensure they are followed.

2019-002 Recognizing Receivables and Deferred Revenue for Meals in the Food Service Fund

Condition and Context:

The receivables and deferred revenue for meals in the Food Service Fund were not recorded on the general ledger of the Food Service Fund.

Criteria:

Software utilized specifically for the Food Service Fund tracks balances in student and employee of the District accounts daily. This information was not communicated to the Finance Department for recognition in the general ledger.

Cause:

The omission of these balances have caused the financial statements for the Fund Service Fund to be incorrect.

Effect:

The omission of the receivables and deferred revenue for meals from the general ledger resulted in an overstatement of net position and required a prior period adjustment.

Recommendation:

The software utilized by the Food Service Fund tracks these balances on a daily basis. The balances in these accounts should be updated in the general ledger on an ongoing basis to reflect accurate balances.

Response:

The School District will follow up with the Food Service Fund to implement procedures to update these accounts on an ongoing basis.

2019-003 Accounting Functions of the School District 70 Education Foundation

Condition and Context:

The accounting functions of the Foundation should be completed on a timely basis. Supporting documentation to accompany expenditures should follow the same policies and protocol as other District funds.

Criteria:

Policies for accounting functions along with supporting documentation for the Foundation needs to follow same protocol as other District funds.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2019-003 Accounting Functions of the School District 70 Education Foundation (Continued)

Cause:

The accounting information was not recorded in a timely manner. The policies regarding the support for expenditures should be reviewed and adhered to.

Effect:

In the event of discrepancies, the delay in updating the accounting information for the Foundation does not allow postings, reconciliations and other inquiries to occur on a timely basis.

Recommendation:

The Foundation should follow District policy in posting transaction and reconciling activity in a timely manner. Expenditures should have supporting documentation at the time of payment.

Response:

The School District will follow up with the Foundation to ensure the transactions are recorded on a timely basis.

2019-004 Errors Identified with the Conversion of Fixed Assets and Depreciation Software
(Repeat Finding - 2018-001)

Condition and Context:

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

Criteria:

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

Cause:

Conversion did not transfer data correctly.

Effect:

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

Recommendation:

Significant improvements have been made to address the deficiencies and correct data with the conversion. Procedures should continue to be followed to rectify and correct data relating to conversion.

Response:

The School District will continue to devote additional time to minimize further discrepancies.

2019-005 Formalizing Process to Produce Monthly Financial Statements
(Repeat Finding 2018-003)

Condition and Context:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2019-005 Formalizing Process to Produce Monthly Financial Statements (Continued)

Criteria:

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

Cause:

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

Effect:

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

Recommendation:

Improvements were made with this process. The District should continue to work on their processes to ensure key financial statement accounts are reconciled and reviewed on a monthly basis.

Response:

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

2019-006 P Card Policy Violation
(Repeat Finding 2018-004)

Condition and Context:

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

Criteria:

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

Cause:

Policy is not being followed for all P Card purchases.

Effect:

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

Recommendation:

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

Response:

The School District will review policy with all necessary employees.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2019-007 Coding of Grant Revenues and Expenditures

(Repeat Finding 2018-007)

Condition and Context:

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

Criteria:

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

Cause:

Internal control and procedures were not always followed to ensure that the grant revenue and expenditures were properly recorded. Duplication of expenditures can be a result of not following procedures.

Effect:

The financial statements would not reflect an accurate accounting of each grant revenue and expenditures. Grant expenditures included in the reimbursement requests could be understated or duplicated if controls are not followed.

Recommendation:

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

Response:

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

2019-008 Balances Outstanding Between Funds Should be Cleared on a Timely Basis

(Repeat Finding 2018-008)

Condition and Context:

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

Criteria:

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

Cause:

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

Effect:

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

Recommendation:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2019-008 Balances Outstanding Between Funds Should be Cleared on a Timely Basis

Response:

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

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

2019-009 Reimbursement claim forms/reports
(Repeat finding 2018-009)

Condition and Context:

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

Criteria:

The current controls that the District have in place should be followed. The reimbursement forms should be reconciled to the detailed transactions recorded in the general ledger. The information reported on the reimbursement forms should be reviewed and verified for accuracy.

Cause:

The procedures were not followed to ensure that the underlying expenditures requested for reimbursement agreed with the general ledger. A review of the prepared requests were not reviewed fully to identify this error. The procedure to ensure funds had been received by the District were not followed timely and delayed the inquiries for the discrepancies.

Effect:

The District ended up using grant award but expenditures were duplicated, omitted and corrected on multiple reimbursement requests during the fiscal year. This request was not fully paid during the fiscal year and was not identified until field work. The District is still working with the granting agency to rectify this discrepancy. A request for June 2019 expenditures had not received by the District and the error was not identified until December. This discrepancy has been corrected

Recommendation:

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

Response:

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

2019-010 Tracking Grant Reimbursement Requests to Receipt

Significant Deficiency: As discussed at Finding 2019-001, the District submitted grant reimbursement requests and the corresponding payments were not received or accurate. The discrepancies or non payment should have prompted an inquiry with the granting agency. Because of the failure to follow procedures, discrepancies in reimbursement payments were not identified timely. Procedures need to be reinforced to follow through on receipt of grant funds to avoid future discrepancies or loss of grant funds.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

SECTION IV - PRIOR YEAR FINDINGS

2018-008 Reimbursement claim forms/reports and pass-through entities

Condition and Context:

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

Recommendations:

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

Current Status:

Partially Implemented see 2019-009.

The District is continuing to work on improving their procedures for accurate reporting and requests to the proper granting agency. The District did make improvements with tracking expenditures from the general ledger and accurately preparing reimbursement requests .

00-2 Coding Federal Expenditures

Condition:

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

Recommendation:

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

Current Status:

Partially implemented See Finding 2019-007

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

SCHEDULE OF FISCAL YEAR SPENDING COMPUTATIONS

PURSUANT TO ARTICLE X, SECTION 20

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

1. Total Fiscal Year Expenditures for All Funds Listed (Expenditures, plus changes in fund balances, less transfers)		
a. General Fund (includes Preschool, Insurance Reserve and Capital Reserve Funds)	\$	87,438,432
b. Governmental Designated-Purpose Grants Fund		4,167,319
c. Pupil Athletic Fund (Special Revenue Funds)		1,694,225
d. Bond Redemption Fund		9,206,314
e. Food Service Fund		4,142,547
f. Charter Schools (Connect School and Villa Bella)		4,293,904
g. Capital Projects Funds		-
Total Fiscal Year Expenditures	\$	110,942,741
2. Deduct the Following Expenditures Included in Above Totals		
a. Expenditures from Gifts/Foundations		142,156
b. Expenditures from Federal Revenue		8,244,720
c. Revenue Transfers		350,367
d. Expenditures from Designated Reserves		13,156,324
e. Expenditures from Proceeds of Damage Awards		88,535
f. Expenditures from the Sale of School Property		-
g. Other Sources, Additions, and Debt Proceeds		10,913,308
Total Fiscal Year Deductions		32,895,410
3. Total Spending Subject to TABOR for FYE 6-30-2019	\$	78,047,331
4. Total Spending Subject to TABOR for FYE 6-30-2018	\$	73,047,330
5. Percentage Change in Denver/Boulder CPI	3.386	%
6. Percentage Change in Student Enrollment	1.744	%
7. Total Percentage Change	5.130	%
8. Change in Permitted Spending Based on Percentage Changes		3,747,328
9. Maximum Spending Subject to TABOR for FYE 6-30-2019	\$	76,794,658
10. FYE 6-30-2019 Spending Over (Under) Allowable Amount	\$	1,252,673

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

The accompanying notes are an integral part of this schedule.

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2019

		Not Included- Swallows Charter Interfund Transactions and PERA on Behalf Payments	Included Capital Reserve Insurance Funds Held by District on Behalf of Connect Charter	<u>Rounding</u>	Balance Per Governmental Fund Financial Statements
<u>Connect Charter School / Component Unit</u>					
Beginning fund balance / Net position	\$	\$	418,359	-	\$ 2,192,354
Revenues			205,938	-	3,576,917
Expenditures			130,229	-	4,182,005
Ending fund balance			494,069	-	1,587,266
<u>Swallows Charter Academy / Component Unit</u>					
Beginning fund balance / Net position			-	1	904,019
Revenues		(68,816)	-	-	5,267,851
Expenditures		(179,673)	-	2	5,347,997
Ending fund balance			-	(1)	713,016
<u>General Fund</u>					
Beginning fund balance / Net position			-	(1)	21,600,361
Revenues			-	1	75,059,514
Expenditures			-	1	87,273,167
<u>Govt. Designated Purpose Grants Fund</u>					
Revenues			-	1	4,167,319
<u>Pupil Activity Special Revenue Fund</u>					
Expenditures			-	1	1,586,533

The accompanying notes are an integral part of this schedule.

RECONCILIATION OF AUDITOR'S ELECTRONIC FINANCIAL DATA INTEGRITY
CHECK FIGURES TO GOVERNMENTAL FUND FINANCIAL STATEMENTS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2019

	Balance Per ADE	<u>Rounding</u>	Combined Accounts on the Combining Balance Sheet	Reserve Fund Balance on Combining Balance Sheet	Capital Reserve Fund is Combined With the General Fund on the Balance Sheet	Categories Shown Separate on Combining Balance Sheet	Not included - Swallows Charter Internal Service Fund	Due To/From Netted When Combining General, Insurance and Preschool Funds	Balance per Governmental Fund Financial Statements
Bolded Balance Sheet Report									
General Fund/Preschool Fund									
Cash and investments	\$ 16,732,276	\$ (1)	\$ -	\$ -	\$ -	\$ 315,329	\$ -	\$ -	\$ 17,047,604
Cash with fiscal agent	315,329	-	-	-	-	(315,329)	-	-	-
Taxes receivable	1,452,280	-	-	-	-	(306,527)	-	-	1,145,753
Cash with treasurer	-	-	-	-	-	306,527	-	-	306,527
Due from other funds	3,157,514	-	-	-	-	(237,381)	-	(2,615,827)	304,306
Due from component unit	-	-	-	-	-	237,381	-	-	237,381
Accrued revenue state	-	-	-	-	-	29,593	-	-	29,593
Other receivables	269,611	(1)	-	-	-	(29,593)	-	-	240,017
Total assets	21,986,361	(1)	-	-	-	-	-	(2,615,827)	19,370,533
Due to other funds	4,103,314	-	-	-	-	(1,264,948)	-	(2,615,827)	222,539
Due to component unit	-	-	-	-	-	1,264,948	-	-	1,264,948
Accrued expenses & payroll deductions	7,304,162	(1)	-	-	-	-	-	-	7,304,161
Total liabilities and deferred inflow	12,599,652	-	-	-	-	-	-	(2,615,827)	9,983,825
Tabor 3% emergency reserve	2,250,900	-	-	-	-	2	-	-	2,250,902
Assigned	1,149,864	(1)	-	-	-	(2)	-	-	1,149,861
Unassigned	5,933,602	1	-	-	-	-	-	-	5,933,603
Total liabilities and fund balances	21,986,361	(1)	-	-	-	-	-	(2,615,827)	19,370,533
Debt Service Funds									
Cash and investments	13,661,429	-	-	-	-	(11,246,094)	-	-	2,415,335
Investments, at fair value	-	-	-	-	-	2,415,335	-	-	2,415,335
Taxes receivable	359,826	-	-	-	-	(34,047)	-	-	325,779
Cash with treasurer	-	-	-	-	-	34,047	-	-	34,047
Food Service Special Revenue Fund									
Cash	654,092	(1)	-	-	-	-	-	-	654,091
Other payables	30,514	(1)	-	-	-	-	-	-	30,513
Assigned fund balance	592,847	-	-	-	-	(44,771)	-	-	548,076
Prior period adjustment	(44,771)	-	-	-	-	44,771	-	-	-

The accompanying notes are an integral part of this schedule.

RECONCILIATION OF AUDITOR'S ELECTRONIC FINANCIAL DATA INTEGRITY
CHECK FIGURES TO GOVERNMENTAL FUND FINANCIAL STATEMENTS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2019

Bridged Balance Sheet Report Special Revenue Funds	Balance Per ADE	Rounding	Not Included on		Reserve Fund Balance on Combining Balance Sheet	Capital Reserve Insurance Funds Combined With Connect on the Balance Sheet		Categories Shown Separate on Combining Balance Sheet	Due To/From Netted When Combining Swallows General and Internal Fund		Due To/From Netted When Combining General, Insurance and Preschool Funds		Balance per Governmental Fund Financial Statements
			Combined Balance Sheet	Swallows Internal Service Fund									
Cash	\$ 784,648	\$	1	\$	\$	\$	\$	\$ (75,014)	\$	\$	\$	\$	709,635
Investments at fair value	-	-	-	-	-	-	-	75,014	-	-	-	-	75,014
Interfund loans receivable	310,133	(1)	(1)	-	-	-	-	-	-	-	-	-	310,132
Grants accounts receivable	881,056	(1)	(1)	-	-	-	-	-	-	-	-	-	881,055
Interfund payables	533,442	(1)	(1)	-	-	-	-	(229,216)	-	-	-	-	304,225
Due to component unit	-	-	-	-	-	-	-	229,216	-	-	-	-	229,216
Other payables	37,124	1	1	-	-	-	-	-	-	-	-	-	37,125
Accrued expenses & payroll deductions	546,638	(1)	(1)	-	-	-	-	-	-	-	-	-	546,637
Grants deferred revenue	89,463	(1)	(1)	-	-	-	-	(20,110)	-	-	-	-	89,462
Restricted fund balance	20,110	-	-	-	-	-	-	20,110	-	-	-	-	-
Tabor 3% emergency reserve	55,300	-	-	-	-	-	-	-	-	-	-	-	75,410
Charter School / Component Unit													
Cash	920,489	-	-	(209,335)	-	-	-	13,509	-	-	-	-	724,663
Cash with fiscal agent	13,509	-	-	-	-	-	-	(13,509)	-	-	-	-	-
Interfund loans receivable	1,494,165	(1)	(1)	-	-	-	-	(1,494,164)	-	-	-	-	-
Due from the District	-	-	-	-	-	-	-	1,494,164	-	-	-	-	1,494,164
Assets held by District	-	-	-	-	-	-	-	494,068	-	-	-	-	494,068
Prepaid expenses	35,674	-	-	-	-	-	-	-	-	-	-	-	35,673
Buildings, sites, equipment	3,067,111	(1)	(1)	-	-	-	-	-	-	-	-	-	-
Total assets	5,891,888	(2)	(2)	(3,067,109)	-	-	-	-	-	-	-	-	3,109,508
Accrued expenses & payroll deductions	326,071	(4)	(4)	(3,276,444)	-	-	-	494,068	-	-	-	-	326,072
Bonds payables	3,481,436	1	1	(3,481,436)	-	-	-	-	-	-	-	-	-
Total Liabilities	4,098,580	1	1	(3,481,436)	-	-	-	-	-	-	-	-	617,145
Non-spendable fund balance	-	-	-	-	-	-	-	35,673	-	-	-	-	35,673
Tabor 3% emergency reserve	62,600	-	-	-	-	-	-	152,000	-	-	-	-	214,600
Unassigned fund balance	1,578,702	-	-	204,992	-	-	-	(1,783,694)	-	-	-	-	-
Assigned fund balance	152,000	1	1	-	-	-	-	494,068	-	-	-	-	2,242,090
Total fund balance	1,793,302	1	1	204,992	-	-	-	494,068	-	-	-	-	2,492,363

The accompanying notes are an integral part of this schedule.

COLORADO SCHOOL DISTRICT AUDITOR'S ELECTRONIC
FINANCIAL DATA INTEGRITY CHECK FIGURES
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2019

	<u>Balance Per CDE</u>	<u>Balance Per District</u>	<u>Variance</u>	<u>Explanation</u>
Warnings				
<u>Capital Construction Charter School</u>				
Grant Code: 3113				Swallows recognized June 2018 payment in July 2018 and June 2019 payment in July 2019. The net of those two payments equals the variance at June 30, 2019
Receipts	\$ 272,637.86	\$ 265,016.18	\$ 7,621.68	
<u>State ELPA</u>				
Grant Code: 3139				
Receipts	\$ 77,930.58	\$ 81,215.48	\$ (3,284.90)	Funding recorded in Swallows Charter Academy
<u>English Language Proficiency</u>				
Grant Code: 3140				
Receipts	\$ 59,313.07	\$ 62,597.97	\$ (3,284.90)	Funding recorded in Swallows Charter Academy
<u>Smart Start Breakfast</u>				
Grant Code: 3164				
Receipts	\$ 17,004.90	\$ 18,800.40	\$ (1,795.50)	Accrued revenue at June 30, 2018
<u>School Lunch Protection Program</u>				
Grant Code: 3169				
Receipts	\$ 25,342.40	\$ 27,170.40	\$ (1,828.00)	Accrued revenue at June 30, 2018
<u>IDEA- Part B: Special Education</u>				
Grant Code: 4027				
Receipts	\$ 1,638,056.00	\$ 1,637,008.00	\$ 1,048.00	Private school portion at June 30, 2018
<u>Title III</u>				
Grant Code: 4365				
Receipts	\$ 23,424.00	\$ 28,924.00	\$ (5,500.00)	Accrued revenue at June 30, 2018
<u>Title II</u>				
Grant Code: 4367				
Receipts	\$ 275,617.00	\$ 287,896.00	\$ (12,279.00)	Accrued revenue at June 30, 2018
<u>School Breakfast Program</u>				
Grant Code 4553				
Receipts	\$ 614,951.90	\$ 683,789.06	\$ (68,837.16)	Accrued revenue at June 30, 2018
<u>School Lunch Program</u>				
Grant Code 4555				
Receipts	\$ 1,361,155.52	\$ 1,509,194.26	\$ (148,038.74)	Accrued revenue at June 30, 2018
<u>Fund 11 Fund Balance</u>				
Formula driven beginning fund balance	\$ 2,678,012.31			The audited financial statements for Swallows Charter School had a variance at the end of June 30, 2018. Component unit auditors did not explain
Previous year's ending fund balance	\$ 2,676,595.22		\$ 1,417.09	
<u>Fund 21 Fund Balance</u>				
Formula driven beginning fund balance	\$ 740,140.88			
Previous year's ending fund balance	\$ 784,911.68		\$ (44,770.80)	Prior period adjustment