

cPa DIXON, WALLER & CO., INC.

HOEHNE REORGANIZED

SCHOOL DISTRICT NUMBER R-3

HOEHNE, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2020

DIXON, WALLER & CO., INC.

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HOEHNE REORGANIZED SCHOOL
DISTRICT NUMBER R-3

FINANCIAL STATEMENTS

JUNE 30, 2020

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HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
ROSTER OF SCHOOL OFFICIALS
June 30, 2020

BOARD OF EDUCATION

Ryan Coberly	President
Tom Berry	Vice President
Cameron Cummings	Treasurer
Marvin Price	Secretary
Jennifer Sanchez McDonald	Member
Brad Blasi	Member

SCHOOL OFFICIALS

Joe DeAngelis	Superintendent
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Hoehne Reorganized School District RE-3
Hoehne, Colorado 81046

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hoehne Reorganized School District RE-3, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hoehne Reorganized School District RE-3, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and post employment benefits trend data on pages i through ix and 42 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hoehne Reorganized School District RE-3's basic financial statements. The combining and individual fund statements and other schedules and state required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Trinidad, Colorado
November 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

HOEHNE R-3 SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

Management of Hoehne R-3 School District offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2020. The focus of the information is on the primary government (general) fund.

This is the 16th year of the GASB statement No. 34, *Basic Financial Statement and Management Discussion and Analysis and Local Governments*. GASB Statement No.68, *Accounting and Financial Reporting for Pensions*, will also be included in this narrative.

Financial Highlights

In governmental activities, the District's assets exceeded its' liabilities at the close of the fiscal year by \$6,787,082. Included in the entity wide liabilities is the net unfunded liability amount of \$4,911,604 which is the Hoehne School District's share of the pension and OPEB liabilities in the state of Colorado.

The Food Service Special Revenue Fund, which is no longer classified as a proprietary fund, shows a decrease in fund balance of \$8,586.

At the end of the fiscal year, the District's governmental funds reported combined ending fund balance of \$6,787,082. This was an increase of \$3,524,743 from the prior year.

The General Fund reported a fund balance of \$3,475,358 at the close of the fiscal year 2020. This is an increase of \$271,161 (FY 2019 \$3,204,197).

The District has \$279,570 on tax receivables. This trend of \$200,000 per year of unpaid taxes has been ongoing for the past ten (10) years. Las Animas County is still holding some of the certificates for these properties. The assessed valuations for these properties have been lowered in the hopes that the properties will sell. Abatements have also increased in the County. The Preliminary Certification of Value received on August 31, 2020 shows an assessed valuation of \$3,014,210 more than the previous year's. The District has collected approximately 91.44% of the levied taxes as of August 2020.

The District has seen a change in enrollment over the past year. October 2019 count was 365 FTE; the year closed at 357 students. The trend traditionally has been that the student enrollment decreases throughout the year. The October Count Day for 2020 is 324 FTE. This is a decrease of 33 students from the close of the school year.

HOEHNE R-3 SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The Hoehne R-3 School District's basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

District-Wide Financial Statements

The district-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 the cash is received or paid.

The district-wide statement reports the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position. The difference between assets and liabilities is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. GASB No. 68 has affected the liability amount. The unfunded liability of \$4,681,370 for pensions has increased the liabilities of the District.

The district-wide statement includes Governmental Activities and the Food Service Special Revenue Fund also known as "other governmental funds".

Governmental activities:

The District's basic services are included here, such as instruction, transportation, maintenance and operation, and administration. Property taxes and state equalization finance most of these activities. This information is comprised of the following Hoehne R-3 School District funds: (1) general fund, (2) preschool fund, (3) capital reserve fund, (4) activity fund, and (5) food service special revenue fund also known as "other governmental funds".

- *Preschool Fund:* Hoehne R-3 presently contracts with a local service provider for preschool. The sixteen (16) slots are available to the provider who is approved after a Right for Participation (RFP) is accepted by the Preschool Advisory Board. This fund has a balance of \$1,630 as of June 30, 2020. The District will have sixteen (16) slots for this year.
- *Capital Reserve Fund:* This fund has a balance of \$22,537 as of June 30, 2020. This fund is used for capital improvements.
- *Food Service Special Revenue Fund:* This fund is the Hot Lunch Program Fund and is also known as "other governmental funds". The District charges fees to help defray the costs of this service. The District is reimbursed through the School Breakfast Program and the National School Lunch Program. The beginning fund balance is \$25,434.

HOEHNE R-3 SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

Fund Financial Statements

The Fund Financial Statements provide detailed information about the District's funds, focusing on its most significant funds or "major" funds, not the District as a whole. Fund Financial Statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Hoehne School District, like other governments, uses fund accounting to ensure and demonstrate compliance.

All the funds of the District are governmental funds which includes the food service special revenue fund, and capital projects funds.

Governmental Funds:

Most of the District's basic services are reported in governmental funds, which generally focus on the determination of financial position and change in financial position, not on income determination. The focus is on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances that are left at year end that are available for funding future basic services. The governmental fund statements provide a detailed short-term view of the District's operations and services it provides. The relationship (or differences) between the governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Notes to the Financial Statements

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

In addition to the financial statements and accompanying notes, this report contains other supplemental information concerning the District's non-major governmental funds. The combined statements of the non-major governmental funds are presented after the notes to the financial statements.

HOEHNE R-3 SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

Financial Analysis of the District as a Whole

The District's total net position on June 30, 2020 was (\$1,059,513). Of the District's \$10,994,469 in assets, \$3,221,280 reflects investment in capital assets (i.e. land, buildings, and equipment). Throughout this Analysis the previous year's activities is available for comparison.

Table 1:

NET POSITION	2020			2019		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
ASSETS						
Current and Other Assets	7,773,189	-	7,773,189	3,745,956	-	3,745,956
Capital Assets	3,221,280	-	3,221,280	2,105,932	-	2,105,932
Total Assets	10,994,469	-	10,994,469	5,851,888	-	5,851,888
Deferred Outflows	1,136,947		1,136,947	2,159,978		2,159,978
LIABILITIES						
Current and Other Liabilities	996,974	-	996,974	358,781	-	358,781
Long Term Liabilities	8,419,759	-	8,419,759	5,768,948	-	5,768,948
Total Liabilities	9,416,733	-	9,416,733	6,127,729	-	6,127,729
Deferred Inflows	3,774,196		3,774,196	4,870,489		4,870,489
NET POSITION						
Net Investment in Capital Assets	2,299,355	-	2,299,355	2,105,932	-	2,105,932
Restricted for:						
Tabor Reserve	127,000	-	127,000	112,000	-	112,000
Multi Year Obligations	100,000		100,000	96,000		96,000
Debt Service	199,619	-	199,619	-	-	-
Capital Outlay	2,956,244		2,956,244	-		-
Food Service	20,311		20,311	33,431		33,431
Preschool	1,629	-	1,629	1,608	-	1,608
Unrestricted	(6,763,671)	-	(6,763,671)	(5,335,323)	-	(5,335,323)
	(1,059,513)	-	(1,059,513)	(2,986,352)	-	(2,986,352)

HOEHNE R-3 SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

Table 2:
Changes in Net Position

	2020			2019		
	Governmental	Business Type	Total	Governmental	Business Type	Total
	Activities	Activities		Activities	Activities	
Revenues						
Charges for Services	171,905	-	171,905	83,652	-	83,652
Operating Grants and Contributions	469,268	-	469,268	510,396	-	510,396
Capital Grants and Contributions	129,825	-	129,825	-	-	-
Property taxes	1,324,925	-	1,324,925	994,714	-	994,714
Specific Ownership Taxes	217,371	-	217,371	211,157	-	211,157
Equalization	2,484,661	-	2,484,661	2,367,135	-	2,367,135
Earnings on investments	11,408	-	11,408	3,094	-	3,094
Other Revenues	50,693	-	50,693	58,403	-	58,403
Transfers	-	-	-	-	-	-
TOTAL REVENUES	4,860,056	-	4,860,056	4,228,551	-	4,228,551
Expenses						
Instructional services	2,179,667	-	2,179,667	2,102,626	-	2,102,626
Students	149,982	-	149,982	141,752	-	141,752
Instructional staff	4,548	-	4,548	3,533	-	3,533
District administration	387,379	-	387,379	328,542	-	328,542
School administration	83,496	-	83,496	78,154	-	78,154
Business	184,421	-	184,421	177,253	-	177,253
Operation and maintenance of facilities	379,951	-	379,951	411,327	-	411,327
Transportation	230,361	-	230,361	270,708	-	270,708
Central	58,952	-	58,952	52,917	-	52,917
Facility Acquisition & Construction	0	-	-	27,547	-	27,547
Food Service	175,041	-	175,041	230,706	-	230,706
Capital outlay	-	-	-	-	-	-
Interest on Long Term Liabilities	58,154	-	58,154	-	-	-
Issue Costs	65,050	-	65,050	-	-	-
Pension and OPEB Expense (Income)	(930,606)	-	(930,606)	(773,083)	-	(773,083)
TOTAL EXPENSES	3,026,396	-	3,026,396	3,051,982	-	3,051,982
Increase (Decrease in Net Position)	1,833,660	-	1,833,660	1,176,569	-	1,176,569

HOEHNE R-3 SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

The Hot Lunch Fund had an increase of revenue dollars in the amount of \$72,837. The Hot Lunch Fund also known as the Food Service Special Revenue Fund has been a concern of the District. The 2020-2021 school years goal is to improve the collection of the outstanding balances since an online payment option with a credit card option has been added to the Point of Sale. This Point of Sale has been added to the Student Data System which allows parents to see current balances while viewing students' grades. As of now the number of food vendors available to the District is limited. The School District is reimbursed through the School Breakfast Program and the National School Lunch Program. The percentages of students who receive free and reduced breakfast and lunch is 41 % (Count Day 2020). The District belongs to a consortium which aids the District in pursuing Assistance Grants which would help in purchasing large ticket items such as equipment.

The following table shows the District's major functions. It also shows the net costs (total cost less revenue generated by activities). A comparison with the previous year is also included. The elementary school (K-6) has continuously increased in enrollment. Please keep in mind for the 2020 column; the food service's costs have been included.

Table - 3 Governmental Activities by Major Function

	2020		2019	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instructional services	2,179,667	(1,806,826)	2102626	(1,745,611)
Students	149,982	(67,251)	141,752	(141,752)
Instructional staff	4,548	(4,548)	3,533	(3,533)
District administration	387,379	(387,379)	328,542	(328,542)
School administration	83,496	(83,496)	78,154	(78,154)
Business	184,421	(184,421)	177,253	(177,253)
Operation and maintenance of facilities	379,951	(365,063)	411,327	(391,973)
Transportation	230,361	(183,319)	270,708	(224,454)
Central	58,952	(58,952)	52,917	(52,917)
Facility Acquisition & Construction	-	129,825	27,547	(27,547)
Food Service	175,041	(51,370)	230,706	(59,281)
Capital outlay	-	-	-	-
Interest on Long Term Liabilities	58,154	(58,154)	-	-
Issue Costs	65,050	(65,050)	-	-
Pension and OPEB Expense (Income)	(930,606)	930,606	(773,083)	773,083
Total	3,026,396	(2,255,398)	3,051,982	(2,457,934)

HOEHNE R-3 SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2020

Governmental Activities

- The cost of all governmental activities this year was \$5,012,004.
- The federal and state government subsidized certain programs with grants and contributions.
- Most of the District's costs however, were financed by District and State taxpayers. This portion of governmental activities was financed with \$2,484,661 in state equalization from the School Finance Act and \$1,208,013 in property tax and Specific ownership taxes.

Financial Analysis of the District's Funds

As of October 01, 2020, there were 324 FTE students enrolled in the Hoehne School District R-3. The fluctuating number from the Count Day to close of school in May has been addressed on Page i, **Financial Highlights**. Steady or increasing pupil enrollment is the best way to ensure adequate funding in a school district's budget. However, as the enrollment increases the expenses increase. Frugal spending habits are continuing to be maintained.

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.
- Revenues in the General Fund were \$593,899 higher than the previous year. The state equalization share did increase.
- As of June 30, 2020 the District's TABOR reserve amounted to \$127,000.

Capital Assets

The District's investment in capital assets for its governmental activities, which includes the Food Service Special Revenue, as of June 30, 2020 amounts to \$1,844,033. The previous year's capital assets are shown for comparison.

**HOEHNE R-3
SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Table 4: Capital Assets (Net of Depreciation)

	Governmental	Business	Total	Governmental	Business	Total
	<u>2019-2020</u>	<u>2019-2020</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2018-2019</u>	<u>2018-2019</u>
Land & Sites	227,489	-	227,489	220,419	-	220,419
Construction in Progress	1,370,177	-	1,370,177	-	-	-
Buildings & Improvements	1,438,338	-	1,438,338	1,636,177	-	1,636,177
Equipment & Vehicles	178,729	-	178,729	240,203	-	240,203
Food Service	6,547	-	6,547	9,133	-	9,133
Total Capital Assets	<u>3,221,280</u>	<u>-</u>	<u>3,221,280</u>	<u>2,105,932</u>	<u>-</u>	<u>2,105,932</u>

Long-Term Debt

At year-end the District had \$64,080 in accumulated sick leave. Compensated absences are not reported as a liability in the Fund.

CHANGES IN LONG TERM DEBT

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	<u>7/1/2019</u>			<u>6/30/2020</u>
Accumulated Sick Leave	60,764	3,316		64,080
HVAC Lease	-	478,682	21,420	457,262
G.O. Bonds Series 2020	-	3,200,000		3,200,000
G.O. Bonds Series 2020 B Certificate	-	65,050		65,050
Totals	<u>60,764</u>	<u>3,747,048</u>	<u>21,420</u>	<u>3,786,392</u>

**HOEHNE R-3 SCHOOL DISTRICT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2020**

Economic Factors Bearing on the District's Future

The budget for the 2019-2020 school year is based on past revenue collections and projected expenditures.

In the past three years the staff has been given an average of a 3.34% raise on the base salary. For the 2020-21 school year all teachers will receive a 2% raise on the salary schedule. To recruit and retain quality teachers in the District, the District has joined a Consortium to promote Hoehne School District.

Increased Health insurance, utility and food costs, strict State and Federal Requirements for the Hot Lunch Program, as well as the increasing percentage the District contributes to PERA, add to the difficulty in keeping spending in line with anticipated revenues.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Superintendent of Schools
Hoehne R-3 School District
P.O. Box 91
Hoehne, Colorado 81046

BASIC FINANCIAL STATEMENTS

HOEHNE REORGANIZED SCHOOL DISTRICT R-3
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>	<u>Total</u>
<u>ASSETS</u>		
Cash and Investments	7,404,690	7,404,690
Accounts Receivable	7,242	7,242
Accrued Revenue	37,264	37,264
Property Taxes Receivable	318,870	318,870
Inventories	5,123	5,123
Capital Assets	10,297,434	10,297,434
Accumulated Depreciation	<u>(7,076,154)</u>	<u>(7,076,154)</u>
<u>Total Assets</u>	<u>10,994,469</u>	<u>10,994,469</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pensions	1,116,880	1,116,880
Other Post Employment Benefits	<u>20,067</u>	<u>20,067</u>
<u>Total Deferred Outflow of Resources</u>	<u>1,136,947</u>	<u>1,136,947</u>
<u>LIABILITIES</u>		
Accounts Payable	194,139	194,139
Accrued Salaries	242,946	242,946
Accrued Interest Payable	8,800	8,800
Compensated Absences	64,080	64,080
Unearned Grant Revenue	266,282	266,282
Other Liabilities	6,570	6,570
Net Pension Liability	4,681,370	4,681,370
Net Other Post Employment Benefits Liability	230,234	230,234
Debt Payable – Current	214,157	214,157
Debt Payable – Long Term	<u>3,508,155</u>	<u>3,508,155</u>
<u>Total Liabilities</u>	<u>9,416,733</u>	<u>9,416,733</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Pensions	3,716,749	3,716,749
Other Post Employment Benefits	<u>57,447</u>	<u>57,447</u>
<u>Total Deferred Inflow of Resources</u>	<u>3,774,196</u>	<u>3,774,196</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	2,299,355	2,299,355
Restricted:		
TABOR Reserve	127,000	127,000
Multi Year Obligation	100,000	100,000
Debt Service	199,619	199,619
Capital Outlay	2,956,244	2,956,244
Preschool	1,629	1,629
Food Service	20,311	20,311
Unrestricted	<u>(6,763,671)</u>	<u>(6,763,671)</u>
<u>TOTAL NET POSITION (as Restated)</u>	<u>(1,059,513)</u>	<u>(1,059,513)</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Net (Expenses) Revenue and Changes in Net Position			
	Program Revenues		Primary Government	
	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Governmental Activities
	Expenses			Total
FUNCTIONS				
Instructional Services	2,179,667	30,016	342,825	(1,806,826)
Supporting Services:				
Students	149,982	82,731	-	(67,251)
Instructional Staff	4,548	-	-	(4,548)
District Administration	387,379	-	-	(387,379)
School Administration	83,496	-	-	(83,496)
Business	184,421	-	-	(184,421)
Operation & Maintenance of Facilities	379,951	14,888	-	(365,063)
Transportation	230,361	47,042	-	(183,319)
Central	58,952	-	-	(58,952)
Facility Acquisition & Construction	175,041	44,270	79,401	129,825
Food Service	-	-	-	(51,370)
Interest on Long Term Liabilities	58,154	-	-	129,825
Issue Costs	65,050	-	-	(58,154)
Net Pension Change	(929,502)	-	-	(65,050)
Net OPEB Change	(1,104)	-	-	929,502
Total Governmental Activities	<u>3,026,396</u>	<u>171,905</u>	<u>469,268</u>	<u>1,104</u>
Total School District	<u>3,026,396</u>	<u>171,905</u>	<u>469,268</u>	<u>(2,255,398)</u>
				<u>(2,255,398)</u>
General Revenues				
Property Taxes Levied for General Purposes				1,324,925
Specific Ownership Taxes				217,371
Equalization				2,484,661
Earnings on Investments				11,408
Other Revenues				50,693
Total General Revenues				<u>4,089,058</u>
Change in Net Position				<u>1,833,660</u>
Net Position, Beginning (as Restated)				<u>(2,893,173)</u>
Net Position, Ending				<u>(1,059,513)</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Investments	4,055,784	191,619	3,022,353	134,934	7,404,690
Accounts Receivable	1,149	-	-	6,093	7,242
Accrued Revenue	3,296	-	33,968	-	37,264
Due From Other Funds	420	-	-	-	420
Property Taxes Receivable, Net of Allowance for Doubtful Collections of \$1,518,000	279,570	39,300	-	-	318,870
Inventories	-	-	-	5,123	5,123
Total Assets	<u>4,340,219</u>	<u>230,919</u>	<u>3,056,321</u>	<u>146,150</u>	<u>7,773,609</u>
LIABILITIES:					
Accounts Payable	94,482	-	99,657	-	194,139
Accrued Salaries	235,061	-	-	7,885	242,946
Due To Other Funds	-	-	420	-	420
Unearned Revenue	<u>266,282</u>	<u>-</u>	<u>-</u>	<u>6,570</u>	<u>272,852</u>
Total Liabilities	<u>595,825</u>	<u>-</u>	<u>100,077</u>	<u>14,455</u>	<u>710,357</u>
DEFERRED INFLOW OF RESOURCES					
Property Taxes	<u>244,870</u>	<u>31,300</u>	<u>-</u>	<u>-</u>	<u>276,170</u>
FUND BALANCES:					
Nonspendable:					
Inventories	-	-	-	5,123	5,123
Restricted:					
Emergencies	127,000	-	-	-	127,000
Preschool	1,629	-	-	-	1,629
Multi Year Obligation	100,000	-	-	-	100,000
Food Service	-	-	-	20,311	20,311
Capital Outlay	-	-	2,956,244	-	2,956,244
Debt Service	-	199,619	-	-	199,619
Committed:					
Capital Outlay	22,537	-	-	-	22,537
Assigned:					
Pupil Activities	-	-	-	106,261	106,261
Unassigned	<u>3,248,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,248,358</u>
Total Fund Balances	<u>3,499,524</u>	<u>199,619</u>	<u>2,956,244</u>	<u>131,695</u>	<u>6,787,082</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>4,340,219</u>	<u>230,919</u>	<u>3,056,321</u>	<u>146,150</u>	<u>7,773,609</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

<u>Total Fund Balance – Governmental Funds</u>	6,787,082
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$10,297,434 and the accumulated depreciation is \$7,076,154.	3,221,280
Property tax revenue is recognized when earned (claim to resources established) rather than when “available.” All of the deferred property tax revenue is not available.	276,170
Accrued interest on long term debt is not reported in the funds	(8,800)
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,722,312)
Compensated absences are not reported as a liability in the funds.	(64,080)
The District’s portion of the net pension obligation for PERA is reported on the statement of net position is not reported as a liability in the funds.	(4,681,370)
The District’s portion of the net OPEB obligation for PERA is reported on the statement of net position is not reported as a liability in the funds.	(230,234)
Deferred flows for contributions made toward the net pension obligation from December 31, 2019 until June 30, 2020 is not reported in the funds.	176,890
Deferred flows for contributions made toward the net OPEB obligation from December 31, 2019 until June 30, 2020 is not reported in the funds.	9,310
Deferred employer and plan level pension flows are not reported in the funds.	(2,776,759)
Deferred employer and plan level OPEB flows are not reported in the funds.	<u>(46,690)</u>
<u>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</u>	<u>(1,059,513)</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property Taxes	990,643	243,712	-	-	1,234,355
Specific Ownership Taxes	217,371	-	-	-	217,371
Earnings on Investments	3,436	88	7,884	-	11,408
Other Local Sources	115,302	97	-	127,199	242,598
State Aid	2,715,346	-	129,825	3,319	2,848,490
Federal Aid	<u>139,182</u>	<u>-</u>	<u>-</u>	<u>76,082</u>	<u>215,264</u>
Total Revenues	<u>4,181,280</u>	<u>243,897</u>	<u>137,709</u>	<u>206,600</u>	<u>4,769,486</u>
EXPENDITURES					
Current:					
Instructional Services	1,946,239	-	-	-	1,946,239
Supporting Services:					
Students	145,778	-	-	69,649	215,427
Instructional Staff	4,548	-	-	-	4,548
District Administration	387,379	-	-	-	387,379
School Administration	82,823	-	-	-	82,823
Business	184,421	-	-	-	184,421
Operation & Maintenance of Facilities	342,844	-	-	-	342,844
Transportation	180,263	-	-	-	180,263
Central	58,952	-	-	-	58,952
Facility Acquisition and Construction	970,865	-	-	-	970,865
Food Service	-	-	-	172,455	172,455
Debt Service:					
Principal Retirement	21,420	-	-	-	21,420
Interest and Fees	5,076	44,278	-	-	49,354
Issue Costs	-	-	65,050	-	65,050
Capital Outlay	<u>-</u>	<u>-</u>	<u>399,614</u>	<u>-</u>	<u>399,614</u>
Total Expenditures	<u>4,330,608</u>	<u>44,278</u>	<u>464,664</u>	<u>242,104</u>	<u>5,081,654</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	<u>(149,328)</u>	<u>199,619</u>	<u>(326,955)</u>	<u>(35,504)</u>	<u>(312,168)</u>
OTHER FINANCING SOURCES (USES)					
Transfers	(58,149)	-	18,149	40,000	-
Proceeds from Debt	<u>478,682</u>	<u>-</u>	<u>3,265,050</u>	<u>-</u>	<u>3,743,732</u>
Total Other Financing Sources (Uses)	<u>420,533</u>	<u>-</u>	<u>3,283,199</u>	<u>40,000</u>	<u>3,743,732</u>
NET CHANGE IN FUND BALANCES	271,205	199,619	2,956,244	4,496	3,431,564
FUND BALANCES-Beginning (as Restated)	<u>3,228,319</u>	<u>-</u>	<u>-</u>	<u>127,199</u>	<u>3,355,518</u>
FUND BALANCES-Ending	<u>3,499,524</u>	<u>199,619</u>	<u>2,956,244</u>	<u>131,695</u>	<u>6,787,082</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances – Total Governmental Funds 3,431,564

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated used lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

	1,377,247	
Capital outlays more than \$5,000		
Depreciation expense	<u>(261,899)</u>	1,115,348

Property tax revenues received prior to the year for which they are being levied or are not “available” at year end are reported as deferred revenue in the governmental funds. They are, however, recorded as revenue in the statement of activities. Deferred property tax revenues increased this year. 90,570

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). During the year, compensated absences decreased by this amount. (3,316)

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The effect of issue costs, premiums and deferred refunding amounts are recognized when the debt is issued in governmental funds, whereas these amounts are deferred and amortized in the statement of activities. Interest expense is recognized as it accrues in the statement of activities regardless of when it is due. The net effect of these differences follows:

		(3,743,732)
Debt proceeds		
Principal payment		21,420
Accrued interest		<u>(8,800)</u>

The statement of activities reports net pension and OPEB obligations which is not reported in the fund financial statements:

		813,160
Change in net pension obligation		
Deferred flows from net pension obligations		116,342
Change in net OPEB obligation		44,184
Deferred flows from net OPEB obligations		<u>(43,080)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES 1,833,660

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

NOTES TO BASIC FINANCIAL STATEMENTS

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hoehne Reorganized School District Number R-3 (the District) conform with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The District operates under an elected Board of Education with seven members.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Hoehne Reorganized School District Number R-3. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

A. Reporting Entity

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

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

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

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

Property and automotive ownership taxes are reported as receivables and deferred inflows when levied and as revenues when due for collection in the following year and determined to be available.

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

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

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their statements of net position. 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 the District's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Fund Accounting

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

- Major Governmental Funds

1. General Fund – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.
2. Bond Redemption Debt Service Fund – used to account for the accumulation of resources for, and the payment of, long-term general obligation debt principal, interest, and related costs.
3. Building Fund - used to account for General Fund transfers and other revenue sources assigned for capital expenditures.

E. Cash and Investments

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

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables

Property taxes levied in 2019 but uncollected in 2020 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2020 are recorded as deferred revenue, and are presented net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

G. Inventories

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

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

H. Capital Assets

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

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

The monetary threshold for capitalization of assets is \$5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-40 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition.

I. Long-Term Obligations

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Constitutional Amendment

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

On November 5, 1996 the registered voters approved a ballot resolution authorizing Hoehne Reorganized School District Number R-3 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased without the consent of the voters.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2020 the District reserved \$127,000 for this purpose.

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

K. Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2019 property tax calendar for Las Animas County was as follows:

Levy Date	December 15, 2019
Lien Date	January 1, 2020
Tax Bills Mailed	January 1, 2020
First Installment Due	February 28, 2020
Second Installment Due	June 15, 2020
If Paid in Full, Due	April 30, 2020
Tax Sale – 2018 Delinquent Property Taxes	October 25, 2019

L. Accumulated Staff Leave

Compensated absences are made up of accumulated sick leave reported as non-current liabilities in the government-wide financial statements. As of June 30, 2020, the District has recorded an estimated liability of \$64,080 relating to accrued sick leave payable.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accumulated Staff Leave (Continued)

A summary of changes in compensated absences is as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Compensated Absences	<u>60,764</u>	<u>3,316</u>	<u> -</u>	<u>64,080</u>

M. Use of Estimates

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

N. GASB Statement No. 54

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

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

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

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. GASB Statement No. 54 (Continued)

Assigned Fund Balance Policy:

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

Order of Fund Balance Spending Policy

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

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

Fund Balance Classification by Fund:

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Food Service</u>	<u>Student Activity</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>						
Inventories	-	-	-	5,123	-	5,123
<u>Restricted:</u>						
Emergencies	127,000	-	-	-	-	127,000
Preschool	1,629	-	-	-	-	1,629
Multi Year Obligation	100,000	-	-	-	-	100,000
Debt Service	-	199,619	-	-	-	199,619
Capital Outlay	-	-	2,956,244	-	-	2,956,244
Food Service	-	-	-	20,311	-	20,311
<u>Committed:</u>						
Capital Outlay	22,537	-	-	-	-	22,537
<u>Assigned:</u>						
Pupil Activities	-	-	-	-	106,261	106,261
<u>Unassigned</u>	<u>3,248,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,248,358</u>
<u>Total Fund Balances</u>	<u>3,499,524</u>	<u>199,619</u>	<u>2,956,244</u>	<u>25,434</u>	<u>106,261</u>	<u>6,787,082</u>

O. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements

<u>Eliminations</u>	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	420	-	-	58,149
Capital Reserve Capital Projects	-	420	18,149	-
Food Service	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
	<u>420</u>	<u>420</u>	<u>58,149</u>	<u>58,149</u>

NOTE 3 BUDGETARY INFORMATION

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

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

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 3 BUDGETARY INFORMATION (Continued)

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

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

NOTE 4 CASH AND INVESTMENTS

Deposits

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

At June 30, 2020, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	493,406	493,406
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	3,656,255	3,669,888
Cash with Fiscal Agent	3,204,237	-
Cash with County Treasurer	<u>50,792</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>7,404,690</u>	<u>4,163,294</u>

As presented above, deposits with a bank balance of \$3,669,888 and a carrying balance of \$3,656,255 as of June 30, 2020, are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Governmental Activities

	Balance <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2020</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	220,419	7,070	-	227,489
Construction in Progress	-	<u>1,370,177</u>	-	<u>1,370,177</u>
<u>Total Capital Assets Not Being Depreciated</u>	<u>220,419</u>	<u>1,377,247</u>	-	<u>1,597,666</u>
<u>Capital Assets Being Depreciated</u>				
<u>Buildings &</u>				
Site Improvements	6,909,995	-	-	6,909,995
Equipment & Vehicles	1,705,432	-	-	1,705,432
Food Service	<u>84,341</u>	-	-	<u>84,341</u>
<u>Total Capital Assets Being Depreciated</u>	<u>8,699,768</u>	-	-	<u>8,699,768</u>
<u>Less Accumulated</u>				
<u>Depreciation for:</u>				
<u>Building &</u>				
Site Improvements	5,273,818	197,839	-	5,471,657
Equipment & Vehicles	1,465,229	61,474	-	1,526,703
Food Service	<u>75,208</u>	<u>2,586</u>	-	<u>77,794</u>
<u>Total Accumulated Depreciation</u>	<u>6,814,255</u>	<u>261,899</u>	-	<u>7,076,154</u>
<u>Total Capital Assets Being Depreciated, Net</u>	<u>1,885,513</u>	<u>(261,899)</u>	-	<u>1,623,614</u>
<u>Governmental Activities Capital Assets, Net</u>	<u>2,105,932</u>	<u>1,115,348</u>	-	<u>3,221,280</u>

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

Governmental Activities:

Instruction	160,463
Student Support	4,204
General Administration Support	673
Operations and Maintenance	43,875
Transportation	50,098
Food Service	<u>2,586</u>
<u>Total Depreciation Expense – Governmental Activities</u>	<u>261,899</u>

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 PENSION PLAN

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. Hoehne Reorganized School District Number R-3 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. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

General Information about the Pension Plan

Plan description. Eligible employees of the Hoehne Reorganized School District Number R-3 are provided with pensions through the 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, 2019. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 PENSION PLAN (Continued)

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

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

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

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

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

Contribution provisions as of June 30, 2020: Eligible employees, Hoehne Reorganized School District Number R-3 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 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 6

PENSION PLAN (Continued)

	July 1, 2019 Through June 30, 2020
Employer Contribution Rate	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.38%

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

As specified in C.R.S. § 24-51-414, 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.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Hoehne Reorganized School District Number R-3 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Hoehne Reorganized School District Number R-3 were \$349,991 for the year ended June 30, 2020.

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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The Hoehne Reorganized School District Number R-3 proportion of the net pension liability was based on Hoehne Reorganized School District Number R-3 contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 6 **PENSION PLAN (Continued)**

At June 30, 2020, the Hoehne Reorganized School District Number R-3 reported a liability of \$4,681,370 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 Hoehne Reorganized School District Number R-3 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 Hoehne Reorganized School District Number R-3 were as follows:

Hoehne Reorganized School District Number R-3 proportionate share of the net pension liability	\$ 4,681,370
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Hoehne Reorganized School District Number R-3	\$ 593,771
Total	\$ 5,275,142

At December 31, 2019, the Hoehne Reorganized School District Number R-3 proportion was 0.031 percent, which was an increase of 0.0003 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Hoehne Reorganized School District Number R-3 recognized pension income of \$929,502 and revenue of \$44,973 for support from the State as a nonemployer contributing entity. At June 30, 2020, the Hoehne Reorganized School District Number R-3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	255,138	-
Changes of assumptions or other inputs	133,646	(2,123,425)
Net difference between projected and actual earnings on pension plan investments	499,413	(1,053,968)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	51,793	(539,356)
Contributions subsequent to the measurement date	176,890	N/A
Total	1,116,880	(3,716,749)

\$176,890 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2020	
2021	(1,574,927)
2022	(1,033,314)
2023	20,123
2024	(188,641)
2025	-
Thereafter	-

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 6 **PENSION PLAN (Continued)**

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)*	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)*	Financed by the Annual Increase Reserve

*For 2019, the annual increase was 0.00 percent.

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.

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 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, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 6 PENSION PLAN (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 percent.

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 percent.
- 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 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 PENSION PLAN (Continued)

- 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 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced 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.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Hoehne Reorganized School District Number R-3 proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 6 **PENSION PLAN (Continued)**

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	6,208,499	4,681,370	3,399,212

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

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description – Employees of the Hoehne Reorganized School District Number R-3 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 CAFR which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2020, program members contributed \$5,329.

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS**

Defined Benefit Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB. Hoehne Reorganized School District Number R-3 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.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 7

OTHER POST EMPLOYMENT BENEFITS (Continued)

General Information about the OPEB Plan

Plan description. Eligible employees of the Hoehne Reorganized School District Number R-3 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. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

PERA Benefit Structure

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 7

OTHER POST EMPLOYMENT BENEFITS (Continued)

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

DPS Benefit Structure

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

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Hoehne Reorganized School District Number R-3 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Hoehne Reorganized School District Number R-3 were \$18,421 for the year ended June 30, 2020.

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

At June 30, 2020, the Hoehne Reorganized School District Number R-3 reported a liability of \$230,234 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The Hoehne Reorganized School District Number R-3 proportion of the net OPEB liability was based on Hoehne Reorganized School District Number R-3 contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

At December 31, 2019, the Hoehne Reorganized School District Number R-3 proportion was 0.0205 percent, which was an increase of 0.0003 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Hoehne Reorganized School District Number R-3 recognized OPEB income of \$1,104. At June 30, 2020, the Hoehne Reorganized School District Number R-3 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	764	(38,688)
Changes of assumptions or other inputs	1,910	-
Net difference between projected and actual earnings on OPEB plan investments	3,707	(7,550)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,376	(11,209)
Contributions subsequent to the measurement date	9,310	N/A
Total	20,067	(57,447)

\$9,310 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2020	
2021	(9,502)
2022	(9,502)
2023	(8,389)
2024	(9,850)
2025	(9,038)
Thereafter	(409)

Actuarial assumptions. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

The actuarial assumptions used in the December 31, 2018, 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 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$601	\$240
Kaiser Permanente Medicare Advantage HMO	\$605	\$237

The 2019 Medicare Part A premium is \$437 per month.

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

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	\$571

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

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (Continued)

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, 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
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- 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:

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 7 **OTHER POST EMPLOYMENT BENEFITS (Continued)**

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

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

Sensitivity of the Hoehne Reorganized School District Number R-3 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	224,765	230,234	236,554

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, 2019, measurement date.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 7 OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

Sensitivity of the Hoehne Reorganized School District Number R-3 proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	260,326	230,234	204,499

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.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 RISK MANAGEMENT

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

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

NOTE 9 COLORADO SCHOOL DISTRICT SELF INSURANCE POOL

The District belongs to the Colorado School District's Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, Workers' Compensation and other coverage. The Board of Directors is composed of eight persons; seven of whom are appointed by the Board of Directors of CASB and the Executive Director of CASB. The

Pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the Aggregate Pool claims, the cost of Administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

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

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2020.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 9 COLORADO SCHOOL DISTRICT SELF INSURANCE POOL (Continued)

An audited summary of the Colorado School District's Pool financial information at June 30, 2019 and for the year then ended (latest information available) follows:

Total Assets	48,583,211
Total Liabilities	<u>26,773,438</u>
Total Equity	<u>21,809,773</u>
Revenue	19,817,153
Underwriting Expenses	<u>26,652,902</u>
Underwriting Gain (Loss)	(6,835,749)
Net Investment Income	865,849
Other Income	-
Net Income (Loss) Before Dividend	<u>(5,969,900)</u>
Dividend	-
Net Income	<u>(5,969,900)</u>
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>156,358</u>
Capital Contributions from Members	-
Unassigned Surplus	<u>21,809,773</u>

NOTE 10 INVENTORIES

Food Service Fund inventories at June 30, 2020, consisted of purchased food, purchased non-food and donated commodities amounting to \$5,123. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

NOTE 11 ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, at June 30, 2020 are estimated to be \$242,946. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the various funds.

NOTE 12 SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Claims and Judgments - The District participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited by the grantor but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 13 INTERFUND RECEIVABLES AND TRANSFERS

<u>Major Governmental Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Due From</u>	<u>Due To</u>
General Fund	-	58,149	420	-
Capital Reserve Capital Projects	18,149	-	-	420
Food Service Fund	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>58,149</u>	<u>58,149</u>	<u>420</u>	<u>420</u>

Transfers were made from the General Fund to the Food Service Fund for the purpose of assisting food service operations. Interfund loans are to be repaid within the next year.

NOTE 14 JOINT VENTURES

Not reflected in the accompanying financial statements is the District's participation in the South Central Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES is audited annually and submits an audit report to the Colorado State Auditor's Office.

The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is not determinable at June 30, 2020. The joint venture summary audited financial information for the year ended June 30, 2019, is as follows:

Assets and Deferred Outflows	<u>4,793,274</u>
Liabilities and Deferred Inflows	<u>13,437,640</u>
Net Position	<u>(8,644,366)</u>
Revenue	<u>3,408,328</u>
Expenditures	<u>2,431,441</u>
Change in Net Position	<u>976,887</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 15 LONG-TERM DEBT – CAPITAL LEASES AND GENERAL OBLIGATIONS

The following is a summary of the transactions in the District’s long-term debt:

	Beginning Balance <u>7/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>6/30/2020</u>	<u>Current Portion</u>
HVAC Lease	-	478,682	21,420	457,262	89,107
G.O. Bonds Series 2020	-	3,200,000	-	3,200,000	60,000
G.O. Bonds Series 2020 B Certificate	<u>-</u>	<u>65,050</u>	<u>-</u>	<u>65,050</u>	<u>65,050</u>
Totals	<u>137,362</u>	<u>3,743,732</u>	<u>21,420</u>	<u>3,722,312</u>	<u>214,157</u>

Long-Term Debt as of June 30, 2020, is comprised of the following:

Capital Leases

The District entered into a capital lease arrangement in the year ended June 30, 2020 to install a new HVAC system. The lease calls for 60 monthly payments beginning April 15, 2020 in the amount of \$8,831.99 which includes interest at a rate of 4.05%. Total amount financed was \$478,682.

Future minimum payments follow:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	89,107	16,877	105,984
2022	92,783	13,201	105,984
2023	96,612	9,372	105,984
2024	100,598	5,386	105,984
2025	<u>78,162</u>	<u>1,325</u>	<u>79,487</u>
	<u>457,262</u>	<u>46,161</u>	503,423
Less: Amounts representing interest			<u>46,161</u>
Net Present Value of Future Minimum Payments			<u>457,262</u>

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 15 LONG-TERM DEBT – CAPITAL LEASES AND GENERAL OBLIGATIONS (Continued)

General Obligation Bonds

On January 3, 2020, the District issued \$3,200,000 in Series 2020 G.O. Bonds for capital construction. The bonds will be repaid over 20 years beginning June 1, 2020. The interest rate is 3.3%. A schedule of debt service to maturity follows:

	<u>Principal</u>	<u>Interest</u>
2021	60,000	104,610
2022	120,000	101,640
2023	125,000	97,598
2024	130,000	93,390
2025	135,000	89,018
2026	140,000	84,480
2027	145,000	79,778
2028	150,000	74,910
2029	150,000	69,960
2030	155,000	64,928
2031	160,000	59,730
2032	170,000	54,285
2033	175,000	48,592
2034	180,000	42,735
2035	185,000	36,712
2036	190,000	30,525
2037	195,000	24,172
2038	205,000	17,572
2039	210,000	10,725
2040	<u>220,000</u>	<u>3,630</u>
	<u>3,200,000</u>	<u>1,188,990</u>

“B” Certificates

The District issued “B” Certificates in the amount of \$65,050 along with the Series 2020 G.O. Bonds. The “B” Certificates will be paid within the year with an interest rate of 2.95%.

	<u>Principal</u>	<u>Interest</u>
2021	<u>65,050</u>	<u>1,920</u>

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2020

NOTE 16 CHANGE IN ACCOUNTING FOR STUDENT ACTIVITY FUND

In prior years, the Student Activity Fund had been recorded as both a Fiduciary Fund. Beginning July 1, 2019, the District accounts for student activities in a Special Revenue Fund. The beginning fund balance for the Student Activity Special Revenue Fund at July 1, 2019, was \$93,179. That amount is the reclassified equity of the Student Activity Agency Fund at June 30, 2019. The beginning net position of governmental activities has been increased by that same amount.

	<u>Net Position</u>	<u>Fund Balance – Governmental Funds</u>
Balance at June 30, 2019	(2,986,352)	3,262,339
Change for Student Activity	<u>93,179</u>	<u>93,179</u>
Beginning Balance, as Restated	<u>(2,893,173)</u>	<u>3,355,518</u>

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISONS

PENSION TREND DATA

OTHER POST EMPLOYMENT BENEFITS TREND DATA

MAJOR GOVERNMENTAL FUNDS

General Fund

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

Pension Trend Data

Other Post Employment Benefits Trend Data

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<u>Local Sources</u>				
Property Taxes	680,000	680,000	990,643	310,643
Specific Ownership Taxes	155,000	155,000	217,371	62,371
Earnings on Investments	2,500	4,109	3,436	(673)
Delinquent Penalty & Interest	-	3,800	3,078	(722)
Other	51,200	59,270	112,224	52,954
<u>State Sources</u>				
Equalization	2,165,886	2,200,000	2,481,366	281,366
Transportation	42,000	42,600	47,042	4,442
Vocational Education	16,000	5,842	13,188	7,346
Other	56,600	173,374	173,750	376
<u>Federal Sources</u>				
Other	127,400	125,537	139,182	13,645
TOTAL REVENUES	<u>3,296,586</u>	<u>3,449,532</u>	<u>4,181,280</u>	<u>731,748</u>
<u>EXPENDITURES</u>				
<u>Instruction</u>				
Salaries	1,263,400	1,282,714	1,191,687	91,027
Employee Benefits	408,790	405,749	392,101	13,648
Purchased Services - Professional	28,000	75,559	75,676	(117)
Purchased Services – Property	-	-	-	-
Purchased Services – Other	209,760	664,531	161,538	502,993
Supplies and Materials	279,325	282,859	109,784	173,075
Property	1,400	322,514	15,403	307,111
Other Objects	-	50	50	-
<u>Total Instruction</u>	<u>2,190,675</u>	<u>3,033,976</u>	<u>1,946,239</u>	<u>1,087,737</u>
<u>SUPPORTING SERVICES</u>				
<u>Student Supporting Services</u>				
Salaries	101,652	103,044	103,621	(577)
Employee Benefits	30,111	30,419	31,584	(1,165)
Purchased Services – Professional	12,000	15,000	7,285	7,715
Purchased Services – Property	-	-	-	-
Purchased Services – Other	5,000	3,500	2,436	1,064
Supplies and Materials	5,180	1,400	852	548
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Student Supporting Services</u>	<u>153,943</u>	<u>153,363</u>	<u>145,778</u>	<u>7,585</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2020

<u>SUPPORTING SERVICES (Continued)</u>	<u>Budgeted Amounts</u>			Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Instructional Staff</u>				
Salaries	-	-	-	-
Benefits	-	-	-	-
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	-	-	-	-
Purchased Services – Other	-	-	-	-
Supplies and Materials	3,500	4,500	4,548	(48)
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Instructional Staff</u>	<u>3,500</u>	<u>4,500</u>	<u>4,548</u>	<u>(48)</u>
<u>General Administration</u>				
Salaries	113,206	96,696	96,696	-
Employee Benefits	49,013	44,552	52,977	(8,425)
Purchased Services – Professional	21,000	24,500	34,873	(10,373)
Purchased Services – Property	14,000	14,000	9,348	4,652
Purchased Services – Other	187,000	183,600	169,872	13,728
Supplies and Materials	196,413	161,009	9,065	151,944
Property	6,500	10,000	6,973	3,027
Other Objects	14,500	16,000	7,575	8,425
<u>Total General Administration</u>	<u>601,632</u>	<u>550,357</u>	<u>387,379</u>	<u>162,978</u>
<u>School Administration</u>				
<u>Office of the Principal</u>				
Salaries	80,206	64,096	64,096	-
Employee Benefits	18,603	14,232	15,544	(1,312)
Purchased Services – Professional	1,000	1,000	-	1,000
Purchased Services – Property	-	-	-	-
Purchased Services – Other	5,000	5,000	1,116	3,884
Supplies and Materials	4,000	4,500	2,067	2,433
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total School Administration</u>	<u>108,809</u>	<u>88,828</u>	<u>82,823</u>	<u>6,005</u>
<u>Business Services</u>				
Salaries	93,361	129,860	129,287	573
Employee Benefits	32,080	41,772	43,868	(2,096)
Purchased Services – Professional	8,000	8,000	7,600	400
Purchased Services – Property	-	-	-	-
Purchased Services – Other	3,000	3,000	898	2,102
Supplies and Materials	4,500	4,500	2,768	1,732
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Business Services</u>	<u>140,941</u>	<u>187,132</u>	<u>184,421</u>	<u>2,711</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>SUPPORTING SERVICES (Continued)</u>				
<u>Operations and Maintenance</u>				
Salaries	80,977	83,065	80,232	2,833
Employee Benefits	35,036	35,499	37,974	(2,475)
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	30,000	30,000	11,072	18,928
Purchased Services – Other	86,000	84,000	59,351	24,649
Supplies and Materials	220,000	220,000	154,215	65,785
Property	15,000	15,000	-	15,000
Other Objects	-	-	-	-
<u>Total Operations and Maintenance</u>	<u>467,013</u>	<u>467,564</u>	<u>342,844</u>	<u>124,720</u>
<u>Student Transportation</u>				
Salaries	101,265	106,853	81,456	25,397
Benefits	45,230	39,399	35,017	4,382
Purchased Services – Professional	4,000	4,500	1,577	2,923
Purchased Services – Property	-	-	-	-
Purchased Services – Other	37,000	44,500	17,266	27,234
Supplies and Materials	75,157	85,000	44,947	40,053
Property	90,000	100,000	-	100,000
Other Objects	-	-	-	-
<u>Total Student Transportation</u>	<u>352,652</u>	<u>380,252</u>	<u>180,263</u>	<u>199,989</u>
<u>Central Support</u>				
Salaries	34,103	34,799	34,708	91
Benefits	13,254	13,408	14,007	(599)
Purchased Services – Professional	500	500	-	500
Purchased Services – Property	-	-	-	-
Purchased Services – Other	6,000	6,000	8,048	(2,048)
Supplies and Materials	4,000	4,000	2,189	1,811
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Central Support</u>	<u>57,857</u>	<u>58,707</u>	<u>58,952</u>	<u>(245)</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>SUPPORTING SERVICES (Continued)</u>				
<u>Facilities Support</u>				
Salaries	-	-	-	-
Benefits	-	-	-	-
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	-	-	-	-
Purchased Services – Other	-	-	-	-
Supplies and Materials	-	-	-	-
Property	1,000,000	1,500,000	970,865	529,135
Other Objects	-	-	-	-
<u>Total Facilities Support</u>	<u>1,000,000</u>	<u>1,500,000</u>	<u>970,865</u>	<u>529,135</u>
<u>TOTAL SUPPORTING SERVICES</u>	<u>2,886,347</u>	<u>3,390,703</u>	<u>2,357,873</u>	<u>1,032,830</u>
<u>Debt Service</u>				
Principal Retirement	-	-	21,740	(21,740)
Interest and Fiscal Charges	-	-	4,756	(4,756)
<u>Total Debt Service</u>	<u>-</u>	<u>-</u>	<u>26,496</u>	<u>(26,496)</u>
<u>APPROPRIATED RESERVES</u>	<u>648,564</u>	<u>661,564</u>	<u>-</u>	<u>661,564</u>
<u>TOTAL EXPENDITURES</u>	<u>5,725,586</u>	<u>7,086,243</u>	<u>4,330,608</u>	<u>2,755,635</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(2,429,000)</u>	<u>(3,636,711)</u>	<u>(149,328)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers	(171,000)	(90,000)	(58,149)	31,851
Proceeds From Debt	-	500,000	478,682	(21,318)
<u>Total Other Financing Sources (Uses)</u>	<u>(171,000)</u>	<u>410,000</u>	<u>420,533</u>	<u>10,533</u>
<u>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</u>	<u>(2,600,000)</u>	<u>(3,226,711)</u>	<u>271,205</u>	
<u>FUND BALANCE, Beginning</u>	<u>2,600,000</u>	<u>3,226,711</u>	<u>3,228,319</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>-</u>	<u>3,499,524</u>	

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 For The Last 10 Fiscal Years (As Available)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
District's proportion of the net pension liability (asset)	0.0313%	0.0310%	0.0333%	0.0372%	0.370%	0.0369%	0.0382%	-	-	-
District's proportionate share of the net pension liability (asset)	\$4,681,370	\$5,494,530	\$11,422,826	\$11,065,162	\$5,655,462	\$5,005,230	\$4,876,035	-	-	-
State's proportionate share of the net pension liability associated with the District**	\$593,771	\$751,302	-	-	-	-	-	-	-	-
District's covered payroll	\$1,805,937	\$1,821,297	\$1,557,668	\$1,656,554	\$1,565,373	\$1,570,621	\$1,550,853	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	259%	302%	733%	668%	361%	319%	314%	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	64.52%	57.01%	43.96%	43.13%	59.20%	62.80%	64.06%	-	-	-

** A direct distribution provision to allocate funds from the State of Colorado budget to Colorado PERA on an annual basis began in July 2018 based on Senate Bill 18-200.

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION
 For The Last 10 Fiscal Years (As Available)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contributions	\$ 349,991	\$ 348,414	\$ 294,160	\$ 304,494	\$ 277,648	\$ 265,337	\$ 247,912	\$ 227,883	-	-
Contributions in relation to the contractually required contributions	<u>\$ (349,991)</u>	<u>\$ (348,414)</u>	<u>\$ (294,160)</u>	<u>\$ (304,494)</u>	<u>\$ (277,648)</u>	<u>\$ (265,337)</u>	<u>\$ (247,912)</u>	<u>\$ (227,883)</u>	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$1,805,937	\$1,821,297	\$1,557,668	\$1,656,554	\$1,565,373	\$1,570,621	\$1,550,853	\$1,509,117	-	-
Contributions as a percentage of covered payroll	19.38%	19.13%	18.88%	18.38%	17.73%	16.89%	15.99%	15.10%	-	-

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY
 For The Last 10 Fiscal Years (As Available)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
District's proportion of the net OPEB liability (asset)	0.0205%	0.0202%	0.0200%	0.0211%	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset)	\$230,234	\$274,418	\$260,849	\$273,886	-	-	-	-	-	-
District's covered payroll	\$1,805,937	\$1,821,297	\$1,557,668	\$1,656,554	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	12.75%	15.07%	16.75%	16.53%	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	17.53%	16.72%	-	-	-	-	-	-

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
 For The Last 10 Fiscal Years (As Available)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 18,421	\$ 18,577	\$ 15,888	\$ 16,897	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$(18,421)</u>	<u>\$(18,577)</u>	<u>\$(15,888)</u>	<u>\$(16,897)</u>	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-	-
District's covered payroll	\$1,805,937	\$1,821,297	\$1,557,668	\$1,656,554	-	-	-	-	-	-
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	-	-	-	-	-	-

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

Debt Service Fund

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

Capital Projects Fund

Building – Use to account for all resources available for acquiring capital sites, buildings, and equipment.

NON MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds account for revenues that are legally restricted to expenditures for specified purposes.

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

Student Activities – This fund is used to account for the costs associated with co-curricular programs. It is funded by event receipts and transfers from the General Fund.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2020

	<u>Food Service</u>	<u>Pupil Activity</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>			
Cash and Investments	28,673	106,261	134,934
Accounts Receivable	6,093	-	6,093
Inventories	<u>5,123</u>	<u>-</u>	<u>5,123</u>
<u>Total Assets</u>	<u>39,889</u>	<u>106,261</u>	<u>146,150</u>
 <u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Accounts Payable	-	-	-
Accrued Salaries	7,885	-	7,885
Due To Other Funds	-	-	-
Unearned Revenue	<u>6,570</u>	<u>-</u>	<u>6,570</u>
<u>Total Liabilities</u>	<u>14,455</u>	<u>-</u>	<u>14,455</u>
 <u>Fund Balances:</u>			
Nonspendable:			
Inventories	5,123	-	5,123
Restricted:			
Food Service	20,311	-	20,311
Assigned:			
Pupil Activities	<u>-</u>	<u>106,261</u>	<u>106,261</u>
<u>Total Fund Balances</u>	<u>25,434</u>	<u>106,261</u>	<u>131,695</u>
<u>Total Liabilities & Fund Balances</u>	<u>39,889</u>	<u>106,261</u>	<u>146,150</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2020

	<u>Food Service</u>	<u>Pupil Activity</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Revenues</u>			
Other Local Sources	44,468	82,731	127,199
State Aid	3,319	-	3,319
Federal Aid	<u>76,082</u>	<u>-</u>	<u>76,082</u>
<u>Total Revenues</u>	<u>123,869</u>	<u>82,731</u>	<u>206,600</u>
 <u>Expenditures</u>			
Supporting Services:			
Students	-	69,649	69,649
Food Service	<u>172,455</u>	<u>-</u>	<u>172,455</u>
<u>Total Expenditures</u>	<u>172,455</u>	<u>69,649</u>	<u>242,104</u>
 <u>Excess (Deficiency) of Revenues</u>			
<u>Over (Under) Expenditures</u>	<u>(48,586)</u>	<u>13,082</u>	<u>(35,504)</u>
 <u>Other Financing Sources (Uses)</u>			
Transfers	<u>40,000</u>	<u>-</u>	<u>40,000</u>
<u>Total Other Financing Sources (Uses)</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
 <u>Net Change in Fund Balances</u>			
	(8,586)	13,082	4,496
 <u>Fund Balances – Beginning (as Restated)</u>			
	<u>34,020</u>	<u>93,179</u>	<u>127,199</u>
 <u>Fund Balances – Ending</u>			
	<u>25,434</u>	<u>106,261</u>	<u>131,695</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 BOND REDEMPTION FUND
 MAJOR DEBT SERVICE FUND
 For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>Revenues</u>			
Property Taxes	274,000	243,712	(30,288)
Earnings on Investments	-	88	88
Other Local Sources	-	97	97
<u>Total Revenues</u>	<u>274,000</u>	<u>243,897</u>	<u>(30,103)</u>
 <u>Expenditures</u>			
Debt Services:			
Interest and Fiscal Charges	25,000	43,413	(18,413)
Other	-	865	(865)
Contingency	<u>249,000</u>	-	<u>249,000</u>
<u>Total Expenditures</u>	<u>274,000</u>	<u>44,278</u>	<u>229,722</u>
 <u>Revenues Over (Under) Expenditures</u>	-	199,619	
 <u>Fund Balances – Beginning (as Restated)</u>	-	-	
 <u>Fund Balances – Ending</u>	<u>-</u>	<u>199,619</u>	

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
BUILDING FUND
MAJOR CAPITAL PROJECTS FUND
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>Revenues</u>			
Earnings on Investments	-	7,884	7,884
Other Local Sources	-	-	-
State Sources	-	129,825	129,825
<u>Total Revenues</u>	<u>-</u>	<u>137,709</u>	<u>137,709</u>
 <u>Expenditures</u>			
Buildings & Improvements	3,200,000	399,614	2,800,386
Debt Service:			
Issue Costs	-	65,050	(65,050)
<u>Total Expenditures</u>	<u>3,200,000</u>	<u>464,664</u>	<u>2,735,336</u>
 <u>Revenues Over (Under) Expenditures</u>	 <u>(3,200,000)</u>	 <u>(326,955)</u>	
 <u>Other Financing Sources (Uses)</u>			
Transfers	-	18,149	18,149
Proceeds From Debt	3,200,000	3,265,050	65,050
<u>Total Other Financing Sources (Uses)</u>	<u>3,200,000</u>	<u>3,283,199</u>	<u>83,199</u>
 <u>Net Change in Fund Balances</u>	 -	 2,956,244	
 <u>Fund Balances – Beginning</u>	 <u>-</u>	 <u>-</u>	
 <u>Fund Balances – Ending</u>	 <u>-</u>	 <u>2,956,244</u>	

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOOD SERVICE – SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable <u>(Unfavorable)</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Food Sales	40,000	44,270	4,270
Earnings on Investments	-	-	-
Other	22,000	198	(21,802)
<u>State Sources</u>			
School Lunches	3,450	3,319	(131)
<u>Federal Sources</u>			
School Lunches	86,000	76,082	(9,918)
Commodities	-	-	-
<u>Total Revenues</u>	<u>151,450</u>	<u>123,869</u>	<u>(27,581)</u>
 <u>EXPENDITURES</u>			
Salaries	100,277	59,947	40,330
Employee Benefits	39,346	25,639	13,707
Purchased Services – Professional	-	-	-
Purchased Services – Property	-	-	-
Purchased Services - Other	3,000	2,361	639
Supplies and Materials	119,000	77,544	41,456
Capital Outlay	13,846	-	13,846
Other	-	-	-
Commodities	-	6,964	(6,964)
<u>Total Expenditures</u>	<u>275,469</u>	<u>172,455</u>	<u>103,014</u>
 <u>REVENUES OVER (UNDER) EXPENDITURES</u>	 (124,019)	 (48,586)	
 <u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	<u>90,000</u>	<u>40,000</u>	<u>(50,000)</u>
 <u>REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND USES</u>	 (34,019)	 (8,586)	
 <u>FUND BALANCE, Beginning</u>	 <u>34,019</u>	 <u>34,020</u>	
 <u>FUND BALANCE, Ending</u>	 <u> -</u>	 <u>25,434</u>	

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 PUPIL ACTIVITY – SPECIAL REVENUE FUND
 For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>REVENUES</u>			
Local Sources	<u>184,178</u>	<u>82,731</u>	<u>(101,447)</u>
<u>Total Revenues</u>	<u>184,178</u>	<u>82,731</u>	<u>(101,447)</u>
 <u>EXPENDITURES</u>			
Student Activities	<u>184,178</u>	<u>69,649</u>	<u>114,529</u>
<u>Total Expenditures</u>	<u>184,178</u>	<u>69,649</u>	<u>114,529</u>
 <u>REVENUES OVER (UNDER) EXPENDITURES</u>	 -	 13,082	
 <u>FUND BALANCE, Beginning (as Restated)</u>	 -	 <u>93,179</u>	
 <u>FUND BALANCE, Ending</u>	 -	 <u>106,261</u>	

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

STATE REQUIRED SCHEDULES

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

Bolded Balance Sheet



Colorado Department of Education
 Auditors Integrity Report
 District: 1600 - Hoehne Reorganized 3
 Fiscal Year 2019-20
 Colorado School Districts/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	1000 - 5999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental		4,551,161	4,279,978	1,207,895
10 General Fund	3,226,211	0	0	0
18 Risk Mgmt. Sub-Fund of General Fund	0	0	0	0
19 Colorado Priesthood Program Fund	1,608	50,551	50,630	1,630
Sub - Total	3,227,819	4,601,613	4,330,608	3,209,525
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Trsch, Maint. Fund	0	0	0	0
07 Total Program Revenue Fund	0	0	0	0
21 Fixed Specie Spec Reserve Fund	34,019	163,863	172,453	25,094
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity-Special Revenue Fund	91,179	82,732	86,645	106,361
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	330,897	44,278	199,619
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	3,420,968	464,663	3,955,244
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Trsch, Main Fund	0	0	0	0
Total	3,355,117	8,513,319	5,091,654	5,247,083
Proprietary				
50 Other Enterprise Fund	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
69,55-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0
				FINAL



Colorado Department of Education
Bolded Balance Sheet Report
 District: 1600 - Hoehne Reorganized 3
 Fiscal Year: 2019-20
 Colorado School District/BOCES

ASSETS	Governmental						Proprietary					Fiduciary				
	General Funds 10-12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20-22-29	Supplemental Cap Const Fund-06	Total Program Reserve Fund 07	Food Service Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45-47-49	Supplemental Cap Const Fund-46	Other Enterprise Funds 50-52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Cash and Investments (8100-8104,8111)	4,011,161	0	3,565	106,261	0	0	28,673	0	0	0	0	0	0	0	0	4,349,661
Cash with Fiscal Agent (8105)	41,057	0	0	0	0	0	0	191,619	0	0	0	0	0	0	0	3,255,029
Taxes Receivable (8121,8122)	279,570	0	0	0	0	0	0	39,300	0	0	0	0	0	0	0	318,870
Interfund Loans Receivable (8131,8132)	2,359	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,359
Grants Accounts Receivable (8142)	3,297	0	0	0	0	0	0	0	0	33,968	0	0	0	0	0	37,265
Other Receivables (8151-8154,8161)	1,146	0	3	0	0	0	6,093	0	0	0	0	0	0	0	0	7,242
Inventories (8171,8172,8173)	0	0	0	0	0	0	5,123	0	0	0	0	0	0	0	0	5,123
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets	4,338,590	0	3,568	106,261	0	0	39,869	230,919	3,056,321	0	0	0	0	0	0	7,775,549

Governmental

Proprietary

Fiduciary

LIABILITIES & FUND EQUITY

LIABILITIES

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Total Program Reserve Fund 07	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trusts & Agency Funds 70-79	Foundations Fund 85	Totals
Interfund Payables (7401,7402)	0	0	1,939	0	0	0	0	0	420	0	0	0	0	0	0	2,359
Other Payables (7421-7423)	94,482	0	0	0	0	0	6,570	0	99,637	0	0	0	0	0	0	200,710
Accrued Expenses (7461)	235,061	0	0	0	0	0	7,885	0	0	0	0	0	0	0	0	242,946
Payroll Debit and Withholdings (7471-7473)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unearned Revenue (7481)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grants Deferred Revenue (7492)	765,282	0	0	0	0	0	0	0	0	0	0	0	0	0	0	765,282
Other Current Liabilities (7491,7492,7495)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Inflow (7800)	244,870	0	0	0	0	0	0	31,300	0	0	0	0	0	0	0	276,170
Total Liabilities	840,695	0	1,939	0	0	0	14,455	31,300	100,077	0	0	0	0	0	0	968,466

Governmental

Proprietary

Trust & Foundations

FUND EQUITY	Governmental										Proprietary										Trust & Foundations			Totals
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Total Program Reserve Fund 07	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 06	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Foundations Agency Funds 70-79	Foundations Fund 85	Totals								
Non-spendable Fund Balance 6710	0	0	0	0	0	0	5,123	0	0	0	0	0	0	0	0	5,123								
Restricted Fund Balance 6720	0	0	0	0	0	0	20,311	199,619	2,955,244	0	0	0	0	0	0	3,175,174								
TABOR 3% Emergency Reserve 6721	127,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	127,000								
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0								
District Emergency Reserve (letter of credit on real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0								
Colorado Preschool Program (CPP) Reserve 6724	0	0	1,630	0	0	0	0	0	0	0	0	0	0	0	0	1,630								
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0								
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0								
Committed Fund Balance 6750	22,537	0	0	0	0	0	0	0	0	0	0	0	0	0	0	22,537								
Assigned Fund Balance 6760	0	0	0	106,261	0	0	0	0	0	0	0	0	0	0	0	106,261								
Unassigned Fund Balance 6770	3,348,358	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,348,358								
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0								
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0								
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0								
Prior Period Adjustment 6980	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0								
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0								
Total Fund Equity	3,497,895	0	1,630	106,261	0	0	25,434	199,619	2,955,244	0	0	0	0	0	0	6,797,083								

Governmental										Proprietary										Trust & Foundations			Totals
General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Total Program Reserve Fund 07	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 06	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Foundations Agency Funds 70-79	Foundations Fund 85	Totals								
4,338,590	0	3,568	106,261	0	0	39,689	230,919	3,055,321	0	0	0	0	0	0	7,775,548								
Total Liabilities & Fund Equity																							

Governmental										Proprietary										Trust & Foundations			Totals
General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Total Program Reserve Fund 07	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 06	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Foundations Agency Funds 70-79	Foundations Fund 85	Totals								
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes								
Do Assets=Liability+Fund Equity																							

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