

Holyoke School District RE-1J
Holyoke, Colorado

Financial Statements

For the Year ended June 30, 2020

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	12-13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Notes to Financial Statements	18-53
Required Supplementary Information	
General Fund - Budgetary Comparison Schedule	56
Schedule of the District's Proportionate Share of the Net Pension Liability – PERA's School Division Trust Fund	58-59
Schedule of District Contributions – PERA's School Division Trust Fund	60-61
Schedule of the District's Proportionate Share of the Net OPEB Liability – PERA's Health Care Trust Fund	62
Schedule of District Contributions – PERA's Health Care Trust Fund	63
Notes to the Required Supplementary Information	64
Other Supplementary Information	
General Fund	
Budgetary Comparison Schedule - Revenues	68
Budgetary Comparison Schedule - Expenditures	70-72

Table of Contents

	<u>Page</u>
Nonmajor Governmental Funds	
Combining Balance Sheet	74-75
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	76-77
Budgetary Comparison Schedule – Food Service Fund	78
Budgetary Comparison Schedule – Pupil Activity Fund	79
Budgetary Comparison Schedule – Scholarship Fund	80
Budgetary Comparison Schedule – Bond Redemption Fund	81
Colorado Department of Education Supplementary Schedule	
Independent Auditors’ Report on Auditors’ Integrity Report	85
Auditors’ Integrity Report	86



Independent Auditors' Report

Board of Education
Holyoke School District RE-1J
Holyoke, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holyoke School District RE-1J (the District), 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.

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 30, 2020

**HOLYOKE SCHOOL DISTRICT RJ-3
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2020**

This section of Holyoke School District RE-1J annual financial report presents its discussion and analysis of the District's financial performance during the year ended June 30, 2020.

Financial Highlights

- The liabilities and deferred inflows of resources of the Holyoke School District RE-1J exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$6,535,395 (net position - deficit).
- The district's total net position increased by \$2,132,906.
- General revenues accounted for \$6,654,979 or 85% of the \$7,823,269 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$1,168,290 or 15% of revenues.
- The general fund ending fund balance reached \$2,285,193, an increase of \$682,403 from last year.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. A comparison to the prior year's activity is normally provided in the document. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide Statements

The Government-wide financial statements are designed to provide readers with information about the School District as a whole using accounting methods similar to those used by private-sector businesses.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and retiree's early retirement bonuses). In the government-wide financial statements, the School District's activities include the following:

- **Governmental activities:** Most of the School District's basic services are included here, such as instruction, transportation, maintenance and operations, administration, food service and pupil activities. Taxes and intergovernmental revenues principally support these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School District's operations, focusing on the most significant or "major" funds, not the School District as a whole. The School District has one type of fund: governmental funds.

Governmental Funds

Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School District's program.

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

The School District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and change in fund balances for the General Fund, which is considered to be a major fund. Data for the other four governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 18-53 of this report.

Other information

In addition to the basic financial statements, this report also presents other supplementary information concerning the School District's annual appropriated budgets with comparison statements that demonstrate compliance with budgets. Budgeted amounts may be found on pages 68-81.

Financial Analysis of the School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position.

74% of the School District's assets are investment in capital assets (e.g., land, buildings and equipment). The school District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the district's net position (liabilities) as of June 30, 2020.

	Governmental Activities		Total Percentage Change
	2020	2019	2019-2020
Current and Other assets	\$ 4,111,685	\$ 2,832,798	15.15%
Capital assets	7,871,270	8,084,848	-2.64%
Total assets	11,982,955	10,917,646	9.76%
Deferred outflows of resources	1,075,570	4,405,034	-75.58%
Total assets & deferred outflows of resources	\$ 13,058,525	\$ 15,322,680	-14.78%
Long term liabilities	\$ 9,616,463	\$ 12,000,909	-19.87%
Other liabilities	1,107,179	756,207	46.41%
Total liabilities	10,723,642	12,757,116	-15.94%
Deferred inflows of resources	6,737,372	9,234,045	-27.04%
Net investment in capital assets	6,660,534	6,663,486	-0.04%
Restricted	712,768	570,240	-0.04%
Unrestricted	(11,775,791)	(13,902,207)	15.30%
Total net position	(4,402,489)	(6,668,481)	33.98%
Total liabilities, deferred inflows of resources and net position	\$ 13,058,525	\$ 15,322,680	-14.78%

Following is a summary of the School District's change in net position.

	Governmental Activities		Total Percentage Change
	2020	2019	2019-2020
Revenues			
Program Revenues			
Charges for services	\$ 103,038	\$ 106,049	-13.94%
Operating Grants & Contributions	1,049,976	1,028,075	6.74%
Capital Grants & Contributions	15,276	9,511	-96.91%
General Revenues			
Property taxes	3,158,510	3,032,390	0.31%
State equalization	3,180,415	2,771,035	11.91%
Other	316,054	104,475	-7.27%
Total Revenue	7,823,269	7,051,535	0.64%
Expenses			
Instruction	3,302,642	2,883,403	-56.12%
Pupil & Instructional Services	188,510	158,871	-54.39%
Administration & Business	574,661	588,371	-55.84%
Maintenance & Operations	471,872	456,201	-49.09%
Transportation	250,225	234,743	-54.28%
Other	902,453	902,203	-10.55%
Total Expenses	5,690,363	5,223,792	-51.04%
Change in net position	\$ 2,132,906	\$ 1,827,743	149.86%

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994, as amended (SFA). Under the SFA the School District received \$9,116 per funded student. In fiscal year 2019-20 the funded pupil count was 608.5. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 52% of this funding from state equalization while the remaining amount comes from property taxes and specific ownership tax. The School District's assessed valuation generated \$2,698,761 in property taxes levied for general purposes for fiscal year 2019-2020.

Governmental Funds

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

At the end of the fiscal year, the School District's governmental funds reported combined ending fund balances of \$2,957,415, an increase of \$818,707 in comparison with the prior year. The general fund had a fund balance increase of \$682,403 and the other governmental funds had a fund balance increase of \$136,304.

General Fund Budget Highlights

The District's budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund.

The general fund balance for FY20 ended at \$2,285,193. This is an increase of \$682,403.

- With limited record access, it is not known if the District has ever had a reserve this high. This is the highest the reserve has been in at least 15 years. The goal of the District has always been to get up to 6 months of reserves with a minimum of 3 months at any time. As of right now, the District sits at just over 4 months.
- The District recognizes the possibility of using beginning fund balance for FY21 to cover growing instruction costs, capital expenditures and the reduction of revenue from the state caused by the current pandemic.
- The District will continue to carefully monitor the fund balance in an effort to maintain our programming at a high level as the District continues to face a large negative factor and fluctuating enrollment.

Capital Assets and Debt Administration

Capital Assets

The School Districts investment in capital assets for its governmental activities as of June 30, 2020 amounts to \$7,871,270 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, equipment, construction in progress, and capital leases all with an original cost greater than \$5,000.

The School District's total capital assets at June 30, 2020 net of accumulated depreciation were as follows

	Governmental Activities
Construction in progress	\$ 66,081
Buildings and improvements	7,303,789
Furniture and equipment	92,775
Licensed vehicles	408,625
Total Capital Assets	<u>\$ 7,871,270</u>

Additional information on the School District's capital assets can be found in note E to the basic financial statements.

Long-Term Debt

At year-end, the School District's long-term debt of \$9,616,463 represented its compensated absences of 117,417, capital lease obligations of \$879,575, general obligation bonds and related bond premium of \$340,000 and \$3,690, respectively, the net pension liability of \$7,887,913 and the net OPEB liability of \$387,868.

Economic Factors

The economy for the District and Phillips County as a whole remains mostly steady. The local area is heavily reliant on farming. The farming industry continues to have strong yields in conjunction with low prices. The District is anticipating the value of agricultural land to start declining over the next few years due to the low commodity prices.

The final budget for FY21 is still being adjusted as the District awaits final figures for both October Count and local assessed real estate values. Preliminary estimates have total assessed value of properties within the District as steady. Even though agriculture values are expected to decrease, residential assessments remain strong and are expected to continually increase in the next few years to help offset the decrease in agriculture values.

With the change to full day kindergarten last year, the District saw its funded pupil count increase from 585.4 in FY19 to 608.5 this past year. Preliminary October Count numbers show a steady funded count of 606.5 for FY21. The District has seen a slight dip in free lunch students. The District has also seen a decrease in the general student population and a sizeable increase within the Alternative School. Maintaining a level student population will continue to be an uncertainty for the District due to being located in a small community.

The District remains hopeful that local property taxes will remain steady to positive from year to year even though agriculture values are expected to decrease. The budget stabilization factor had seen a recent decline in the last few years. However, the pandemic and subsequent state lockdown created a statewide loss in revenue that trickled down to school districts by the way of the budget stabilization factor. The District will see the factor doubled for FY21, but economic projections have shown that the state economy is recovering at a better than projected rate, so hopefully school finance will recover quicker as well. However, with the mill levy override passed last year and the increase to the reserve the past few years, the District has set itself up to survive a few down economic years.

Contacting the Districts Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have any questions about this report or need additional information, contact Holyoke School District RE-1J, 435 S Morlan, Holyoke, CO 80734.

Basic Financial Statements

The basic financial statements of the District include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole.

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

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

HOLYOKE SCHOOL DISTRICT RE-1J
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Cash	\$ 3,290,642
Cash with fiscal agent	541,195
Receivables	264,475
Inventories	15,373
Capital assets, net of depreciation	<u>7,871,270</u>
 Total assets	 11,982,955
 Deferred outflows of resources	
Pension and other post-employment benefit deferrals	1,063,041
Deferred charges on refundings of bonds	<u>12,529</u>
 Total deferred outflows of resources	 <u>1,075,570</u>
 Total assets and deferred outflows of resources	 <u><u>\$ 13,058,525</u></u>
 Liabilities	
Accounts payable	\$ 51,338
Accrued salaries and benefits	532,043
Payroll deductions and withholdings	23,200
Unearned revenues	11,436
Unearned grant revenue	435,102
Other current liabilities	40,000
Accrued interest payable	14,060
Noncurrent liabilities	
Due within one year	438,227
Due in more than one year	<u>9,178,236</u>
 Total liabilities	 10,723,642
 Deferred inflows of resources	
Pension and other post-employment benefit deferrals	6,737,372
 Net position	
Net investment in capital assets	6,660,534
Restricted for:	
Emergencies	205,000
Colorado Preschool Program	3,890
Food service operations	57,055
Scholarships	54,438
Debt service	392,385
Unrestricted (deficit)	<u>(11,775,791)</u>
 Total net position (deficit)	 <u>(4,402,489)</u>
 Total liabilities, deferred inflows of resources and net position (deficit)	 <u><u>\$ 13,058,525</u></u>

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

This page intentionally left blank.

HOLYOKE SCHOOL DISTRICT RE-1J
Statement of Activities
For the Year Ended June 30, 2020

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 3,302,642	\$ 57,698	\$ 717,989	\$ 15,276
Supporting services				
Students	109,500			
Instructional staff	79,010		4,500	
General administration	250,953			
School administration	207,489			
Business services	116,219			
Operations and maintenance	471,872			
Student transportation	250,225	1,705	59,266	
Central support services	232,592			
Food service operations	275,974	43,635	268,221	
Unallocated depreciation *	354,383			
Interest and fiscal charges	39,504			
Total governmental activities	<u>\$ 5,690,363</u>	<u>\$ 103,038</u>	<u>\$ 1,049,976</u>	<u>\$ 15,276</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Specific ownership taxes

Delinquent taxes and interest

State categorical aid

Earnings on investments

Other

Total general revenues

Change in net position

Net position (deficit) at beginning of year,
as restated

Net position (deficit) at end of year

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

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

Net (Expenses)
Revenues and
Changes in
Net Position

Governmental
Activities

\$ (2,511,679)

(109,500)

(74,510)

(250,953)

(207,489)

(116,219)

(471,872)

(189,254)

(232,592)

35,882

(354,383)

(39,504)

(4,522,073)

2,698,761

142,867

309,334

7,548

3,180,415

12,820

303,234

6,654,979

2,132,906

(6,535,395)

\$ (4,402,489)

HOLYOKE SCHOOL DISTRICT RE-1J
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 3,059,345	\$ 231,297	\$ 3,290,642
Cash with fiscal agent	138,855	402,340	541,195
Property taxes receivable	163,807	8,672	172,479
Due from other funds	40,936		40,936
Grants receivable		85,941	85,941
Other receivables		6,055	6,055
Inventories		15,373	15,373
Total assets	\$ 3,402,943	\$ 749,678	\$ 4,152,621
Liabilities			
Accounts payable	\$ 29,269	\$ 22,069	\$ 51,338
Due to other funds		40,936	40,936
Accrued salaries and benefits	532,043		532,043
Payroll deductions and withholdings	23,200		23,200
Unearned revenues		11,436	11,436
Unearned grant revenue	435,102		435,102
Other current liabilities	40,000		40,000
Total liabilities	1,059,614	74,441	1,134,055
Deferred inflows of resources			
Deferred property tax revenues	58,136	3,015	61,151
Total deferred inflows of resources	58,136	3,015	61,151
Fund balance			
Nonspendable inventories		15,373	15,373
Restricted for:			
Emergencies	205,000		205,000
Colorado Preschool Program	3,890		3,890
Food service operations		57,055	57,055
Scholarships		54,438	54,438
Debt service		392,385	392,385
Committed to pupil activities		152,971	152,971
Unassigned	2,076,303		2,076,303
Total fund balance	2,285,193	672,222	2,957,415
Total liabilities, deferred inflows of resources and fund balance	\$ 3,402,943	\$ 749,678	\$ 4,152,621

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

HOLYOKE SCHOOL DISTRICT RE-1J
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:

Total fund balance - governmental funds	\$ 2,957,415
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the fund.	7,871,270
Certain receivables will be collected in the next fiscal year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenues in the funds.	61,151
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(14,060)
Long-term liabilities and related deferred outflows and inflows of resources are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(15,278,265)</u>
Net position (deficit) of the governmental activities	<u><u>\$ (4,402,489)</u></u>

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

HOLYOKE SCHOOL DISTRICT RE-1J
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 3,216,760	\$ 454,930	\$ 3,671,690
Intermediate sources	388		388
State sources	3,767,899	12,965	3,780,864
Federal sources	176,324	255,256	431,580
Total revenues	7,161,371	723,151	7,884,522
Expenditures			
Instruction	4,269,102	181,232	4,450,334
Supporting services	2,089,270	270,352	2,359,622
Debt service			
Principal retirement	270,182	130,000	400,182
Interest and fiscal charges	30,414	10,263	40,677
Total expenditures	6,658,968	591,847	7,250,815
Excess of revenues over expenditures	502,403	131,304	633,707
Other financing sources (uses)			
Capital lease proceeds	185,000		185,000
Transfers in		5,000	5,000
Transfers out	(5,000)		(5,000)
Total other financing sources (uses)	180,000	5,000	185,000
Net change in fund balances	682,403	136,304	818,707
Fund balance at beginning of year	1,602,790	535,918	2,138,708
Fund balance at end of year	<u>\$ 2,285,193</u>	<u>\$ 672,222</u>	<u>\$ 2,957,415</u>

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

HOLYOKE SCHOOL DISTRICT RE-1J
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 balance - governmental funds	\$ 818,707
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the current period.	(213,578)
Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	(29,606)
In the statement of activities, certain expenses - compensated absences, accrued interest payable and amortization expenses - 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 amounts actually paid).	(15,425)
Governmental funds report pension and OPEB contributions as expenditures. However, in the statement of activities, service costs, current year benefit changes, member contributions, expected earnings on plan investments, administrative expenses and recognition of deferred outflows and inflows from the pensions and OPEB are reported as expense.	1,357,626
Capital lease proceeds are reported as revenue in the governmental funds, however, they are reported as a long-term liability in the statement of activities.	(185,000)
Repayment of principal on general obligation bonds and capital lease obligations are expenditures in the governmental funds, but the repayment reduces the long-term debt liability in the statement of net position.	<u>400,182</u>
Change in net position of governmental activities	<u><u>\$ 2,132,906</u></u>

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

HOLYOKE SCHOOL DISTRICT RE-1J

Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Holyoke School District RE-1J's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

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

A.1 – Reporting entity

The Holyoke School District RE-1J is a school district governed by an elected seven-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

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

A.2 – Fund accounting

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

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

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

The following are the District’s nonmajor governmental funds:

Food Service Fund – This fund is a special revenue fund used to account for the financial activities associated with the District’s food service operations.

Pupil Activity Fund – This fund is a special revenue fund used to record transactions related to school-sponsored pupil organizations and activities.

Scholarship Fund – This fund is a special revenue fund used to account for the financial transactions related to the administration of scholarships that are awarded to students.

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

Note A.3 – Basis of presentation

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

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

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

A.4 – Basis of accounting

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

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

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

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

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

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.5 – Encumbrances

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

A.6 – Short-term interfund receivables/payables

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

A.7 – Inventories

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

A.8 – Capital assets

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

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

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

<u>Description</u>	<u>Governmental Activities</u>
Buildings and improvements	20-50 years
Furniture and equipment	5-25 years
Licensed vehicles	7-10 years

A.9 – Compensated absences

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

Certain personnel and full-time employees receive up to two days of sick leave each year. Upon leaving the District, instructional staff are to be paid for up to twenty days of accumulated days at the current one-day substitute’s rate and administrative staff is to be paid for up to twenty days of accumulated days at 60% of the current one-day substitute’s rate. In addition, accumulated vacation days are to be paid to administrative staff upon leaving the District at their daily rate.

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

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

A.10 – Accrued liabilities and long-term obligations

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due. Bond premiums and discounts and amounts deferred upon refunding are amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

A.11 – Fund balance

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

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

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

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

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

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

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

A.12 – Net position

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

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

A.13 – Interfund transactions

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

A.14 – Extraordinary and special items

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note B – Cash and investments

Cash and deposits

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

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$3,328,779 of which \$432,440 was insured and \$2,896,339 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

Investments

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

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

At year-end, the District did not have any investments.

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note C - Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>
Property taxes receivable	\$ 172,479
Grants receivable	85,941
Other receivables	<u>6,055</u>
Total	<u>\$ 264,475</u>

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

Note D - Interfund transactions

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental funds</u>		
General fund	\$ 40,936	\$ -
Other governmental funds	<u>-</u>	<u>40,936</u>
Total	<u>\$ 40,936</u>	<u>\$ 40,936</u>

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

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General fund	\$ -	\$ 5,000
Other governmental funds	<u>5,000</u>	<u>-</u>
Total	<u>\$ 5,000</u>	<u>\$ 5,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The District transferred funds in the amount of \$5,000 from the General fund to the other governmental funds to subsidize the costs of maintaining the District's food service operations.

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 44,076	\$ 22,005	\$ -	\$ 66,081
Total capital assets, not being depreciated	44,076	22,005	-	66,081
Capital assets, being depreciated:				
Buildings and improvements	20,446,148	18,864	-	20,465,012
Furniture and equipment	410,247	-	-	410,247
Licensed vehicles	<u>859,491</u>	<u>191,573</u>	<u>(71,965)</u>	<u>979,099</u>
Total capital assets, being depreciated	<u>21,715,886</u>	<u>210,437</u>	<u>(71,965)</u>	<u>21,854,358</u>
Total capital assets	21,759,962	232,442	(71,965)	21,920,439
Less accumulated depreciation for:				
Buildings and improvements	(12,784,209)	(377,014)	-	(13,161,223)
Furniture and equipment	(299,992)	(17,480)	-	(317,472)
Licensed vehicles	<u>(590,913)</u>	<u>(51,526)</u>	<u>71,965</u>	<u>(570,474)</u>
Total accumulated depreciation	<u>(13,675,114)</u>	<u>(446,020)</u>	<u>71,965</u>	<u>(14,049,169)</u>
Governmental activities capital assets, net	<u>\$ 8,084,848</u>	<u>\$ (213,578)</u>	<u>\$ -</u>	<u>\$ 7,871,270</u>

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

Governmental activities	
Instruction	\$ 37,328
Operations and maintenance	7,523
Student transportation	41,165
Food service operations	5,621
Unallocated	<u>354,383</u>
Total	<u>\$ 446,020</u>

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note F – Accrued salaries and benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$532,043. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G – Long-term debt

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Governmental activities					
Compensated absences	\$ 100,820	\$ 16,597	\$ -	\$ 117,417	\$ -
Capital lease obligations	964,757	185,000	(270,182)	879,575	303,227
General obligation bonds	470,000	-	(130,000)	340,000	135,000
Bond premium	5,330	-	(1,640)	3,690	-
Net pension liability	9,962,439	-	(2,074,526)	7,887,913	-
Net OPEB liability	<u>497,563</u>	<u>-</u>	<u>(109,695)</u>	<u>387,868</u>	<u>-</u>
Total	<u>\$ 12,000,909</u>	<u>\$ 201,597</u>	<u>\$ (2,586,043)</u>	<u>\$ 9,616,463</u>	<u>\$ 438,227</u>

Payments on the capital lease obligations, compensated absences and net pension and OPEB liability attributable to the governmental activities will be liquidated primarily by the General Fund. The District believes that the current portion of compensated absences is negligible and is therefore not reported. Payments on the general obligation bonds are made in the Bond Redemption Fund.

General obligation bonds

General obligation bonds payable consist of the following individual issue:

\$1,050,000 general obligation refunding bonds, dated October 31, 2014, due in annual installments beginning in fiscal year 2015 ranging from \$70,000 to \$205,000; varying interest rates from 2.00% to 2.50%, payable semi-annually on December 1st and June 1st.

\$ 340,000

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note G – Long-term debt (Continued)

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

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 135,000	\$ 6,644
2022	135,000	3,437
2023	<u>70,000</u>	<u>875</u>
Total	<u>\$ 340,000</u>	<u>\$ 10,956</u>

Prior-year defeasance of debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District’s financial statements. At year-end, \$880,000 of bonds outstanding are considered defeased.

Capital lease obligations

Facility renovation obligation – In May 2012, the District entered into an agreement with First Pioneer National Bank to finance a portion of the costs of constructing improvements which include a roofing project, boiler project and security project. The agreement called for a lease term of nine years with annual renewal options. Annual payments of \$210,443 are due on September 15th of each year, with a final payment due in 2020. The average interest rate over the lease term is 3.16%. The District has capitalized \$1,507,000 of assets under this capital lease.

Facility renovation obligation – In December 2017, the District entered into an agreement with First Pioneer National Bank to finance a portion of the costs of constructing improvements which include a roof replacement and creating a life skills room. The agreement called for a lease term of ten years with annual renewal options. Annual payments of \$47,856 are due on December 30th of each year, with a final payment due in 2027. The average interest rate over the lease term is 3.13%. The District has capitalized \$404,984 of assets under this capital lease.

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note G – Long-term debt (Continued)

Bus purchase obligation - In November 2018, the District entered into an agreement with First Pioneer National Bank to finance the acquisition of two 2020 Thomas buses. The agreement called for a lease term of five years with annual renewal options. Annual payments of \$42,297 are due on November 30th of each year, with a final payment due in 2023. The average interest rate over the lease term is 3.18%. The District has capitalized \$192,706 of assets under this capital lease.

Bus purchase obligation - In October 2019, the District entered into an agreement with First Pioneer National Bank to finance the acquisition of three school buses. The agreement called for a lease term of seven years with annual renewal options. Annual payments of \$29,108 are due on May 25th of each year, with a final payment due in 2027. The average interest rate over the lease term is 2.48%. The District has capitalized \$191,573 of assets under this capital lease.

Each of the lease agreements contain a provision that, in the event of default, the lessor may, at its option, exercise any right, remedy, or privilege which may be available to it under applicable law, including the right to (a) proceed by appropriate court action to enforce the terms of the lease (b) recover damages for the breach of the lease, and (c) cancel, terminate or rescind the lease. In addition, the District shall remain liable for all covenants and indemnities under the lease and for all legal fees and other costs and expenses, including court costs, incurred by the lessor with respect to the enforcement of any of the remedies listed above or any other remedy available to the lessor.

The following is a schedule by years of future minimum lease payments under the capital leases above, together with the present value of the net minimum lease payments at year-end:

<u>Year ended June 30,</u>	<u>Debt service requirement</u>
2021	\$ 329,704
2022	119,261
2023	119,261
2024	119,261
2025	76,964
2026-2028	<u>201,784</u>
Total minimum lease payments	966,235
Less amount representing interest	<u>(86,660)</u>
Present value of future net minimum lease payments	<u>\$ 879,575</u>

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note H – Defined benefit pension plan

Summary of significant accounting policies

Pensions. The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. 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 District 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. Section 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.

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

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

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

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

As of December 31, 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. Section 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. Section 24-51-413.

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

Contributions provisions as of June 30, 2020. Eligible employees of the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. Section 24-51-401, *et seq.* and Section 24-51-413. Eligible employees are required to contribute 8.75 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:

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

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

As specified in C.R.S. Section 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, HB 20-1379 *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.

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$610,259 for the year.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

The net pension liability for the SCHDTF was measured as of December 31, 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 District's proportion of the net pension liability was based on the District's 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.

At year-end, the District reported a liability of \$7,887,913 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 7,887,913
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	<u>1,000,481</u>
Total	<u>\$ 8,888,394</u>

At December 31, 2019, the District's proportion was 0.0528 percent, which was a decrease of 0.0035 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension income of \$685,662 and revenue of \$44,130 for support from the State as a nonemployer contributing entity. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 446,251	\$ -
Changes of assumptions or other inputs	285,076	3,812,655
Net difference between projected and actual earnings on pension plan investments	-	1,012,171
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	1,800,538
Contributions subsequent to the measurement date	<u>310,575</u>	<u>-</u>
Total	<u>\$ 1,041,902</u>	<u>\$ 6,625,364</u>

\$310,575 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30, ___</u>	<u>Amount</u>
2021	\$ (3,211,441)
2022	(2,286,088)
2023	(78,652)
2024	<u>(317,856)</u>
Totals	<u>\$ (5,894,037)</u>

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) ¹	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

¹ 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.

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note H – Defined benefit 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:

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

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 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.
- 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 will provide 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.

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net pension liability	\$ 10,461,062	\$ 7,887,913	\$ 5,727,531

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

Payables to the pension plan

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

Note I – Defined contribution pension plan

Voluntary Investment Program

Plan description. Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available CAFR which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note I – Defined contribution pension plan (Continued)

Funding policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended, program members contributed \$25,724 for the Voluntary Investment Program.

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

Summary of significant accounting policies

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

General information about the OPEB plan

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

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

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

Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

PERA Benefit Structure

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

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

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

DPS Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$32,119 for the year ended.

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

At year-end, the District reported a liability of \$387,868 for its proportionate share of the net OPEB liability. The net pension 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 District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the District's proportion was 0.0345 percent, which was a decrease of 0.0021 percent from its proportion measured as of December 31, 2018.

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$14,544. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,417	\$ 65,211
Changes of assumptions or other inputs	3,376	-
Net difference between projected and actual earnings on OPEB plan investments	-	6,478
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	40,319
Contributions subsequent to the measurement date	<u>16,346</u>	<u>-</u>
Total	<u>\$ 21,139</u>	<u>\$ 112,008</u>

\$16,346 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30, ___</u>	<u>Amount</u>
2021	\$ (22,950)
2022	(22,950)
2023	(20,885)
2024	(22,080)
2025	(17,317)
2026	<u>(1,033)</u>
Total	<u>\$ (107,215)</u>

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

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

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
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 costs between employers of each fund to that point.

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. 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:

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

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

<u>Medicare Plan</u>	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:

<u>Medicare Plan</u>	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.

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.

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

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

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
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 show below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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.

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:

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

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

- **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:

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

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

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

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

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
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	<u>3.50%</u>	<u>4.50%</u>	<u>5.50%</u>
Net OPEB Liability	\$ 378,655	\$ 387,868	\$ 398,515

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:

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 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 District’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net OPEB liability	\$ <u>438,563</u>	\$ <u>387,868</u>	\$ <u>344,514</u>

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.

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

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

Payables to the OPEB plan

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

Note K – Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$93,977. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note L – Commitments and contingencies

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. On November 7, 1995, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$205,000 for the emergency reserve.

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note L – Commitments and contingencies (Continued)

Federal and state funding

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

Local Government Budget Law

Expenditures in the Food Service Fund exceeded appropriations by \$2,664 and may be in violation of Colorado Local Government Budget Laws.

Note M – Joint venture

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

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

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

Separate financial statements of the Northeast Colorado Board of Educational Services are available by contacting their administrative office in Haxtun, Colorado.

For the year, the District's financial contribution was \$268,623.

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to Financial Statements

Note N – Prior period restatement

The District previously reported the activity of the Scholarship and Pupil Activity Funds as fiduciary funds. Beginning in fiscal year 2020, such activity has been more appropriately reported in special revenue funds. Accordingly, the governmental activities report a restated beginning net position deficit of \$(6,535,395).

Beginning governmental activities net position (deficit) as originally reported	\$ (6,668,481)
Scholarship fund reclassification	26,091
Pupil activity fund reclassification	<u>106,995</u>
Beginning net position (deficit), as restated	<u>\$ (6,535,395)</u>

Note O – Subsequent events

On November 3, 2020, voters in Phillips, Sedgwick and Yuma Counties approved Holyoke School District RE-1J Ballot Issue 5A, increasing debt up to \$2,200,000 with a repayment cost of up to \$2,850,000, with District taxes being increased by up to \$265,000 annually to fund local matching money required for the District to receive a BEST cash grant awarded in the amount of \$2,530,000 to pay approximately \$4,700,000 in project costs to provide secure entry, student safety and access improvements to address existing deficiencies in the junior/senior high school.

This page intentionally left blank.

Required Supplementary Information

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

- Budgetary Comparison Schedule – General Fund
- Schedule of the District's Proportionate Share of the Net Pension Liability – PERA's School Division Trust Fund
- Schedule of District Contributions – PERA's School Division Trust Fund
- Schedule of the District's Proportionate Share of the Net OPEB Liability – PERA's Health Care Trust Fund
- Schedule of District Contributions – PERA's Health Care Trust Fund

HOLYOKE SCHOOL DISTRICT RE-1J
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 3,019,817	\$ 3,089,519	\$ 3,216,760	\$ 127,241
Intermediate sources	150	150	388	238
State sources	3,552,320	3,650,106	3,767,899	117,793
Federal sources	150,000	167,905	176,324	8,419
Total revenues	6,722,287	6,907,680	7,161,371	253,691
Expenditures				
Instruction	4,758,443	5,074,627	4,269,102	805,525
Supporting services	1,953,844	1,987,729	2,089,270	(101,541)
Debt service				
Principal retirement			270,182	(270,182)
Interest and fiscal charges			30,414	(30,414)
Appropriated reserves	1,302,434	1,602,790		1,602,790
Total expenditures	8,014,721	8,665,146	6,658,968	2,006,178
Excess of revenues over (under) expenditures	(1,292,434)	(1,757,466)	502,403	2,259,869
Other financing sources (uses)				
Capital lease proceeds		185,000	185,000	-
Transfers out	(10,000)	(30,324)	(5,000)	25,324
Total other financing sources (uses)	(10,000)	154,676	180,000	25,324
Net change in fund balance	\$ (1,302,434)	\$ (1,602,790)	682,403	\$ 2,285,193
Fund balance at beginning of year			1,602,790	
Fund balance at end of year			\$ 2,285,193	

This page intentionally left blank.

HOLYOKE SCHOOL DISTRICT RE-1J
Schedule of the District's Proportionate Share of the Net Pension Liability¹
PERA's School Division Trust Fund
June 30, 2020

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
District's proportion of the net pension liability	0.0528%	0.0563%	0.0668%	0.0681%
District's proportionate share of the net pension liability	\$ 7,887,913	\$ 9,962,439	\$ 21,613,573	\$ 20,279,630
State's proportionate share of the net pension liability	<u>1,000,481</u>	<u>1,362,225</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,888,394</u>	<u>\$ 11,324,664</u>	<u>\$ 21,613,573</u>	<u>\$ 20,279,630</u>
District's covered payroll	\$ 3,102,808	\$ 3,093,052	\$ 3,083,233	\$ 3,056,996
District's proportionate share of the net pension liability as a percentage of its covered payroll	254.22%	322.09%	701.00%	663.38%
Plan fiduciary net position as a percentage of the total pension liability	64.52%	57.01%	43.96%	43.10%

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

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

<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
0.0640%	0.0661%	0.0648%
\$ 9,786,087	\$ 8,957,133	\$ 8,263,438
-	-	-
<u>\$ 9,786,087</u>	<u>\$ 8,957,133</u>	<u>\$ 8,263,438</u>
\$ 2,788,460	\$ 2,768,609	\$ 2,611,729
350.95%	323.52%	316.40%
59.20%	62.84%	64.10%

HOLYOKE SCHOOL DISTRICT RE-1J
Schedule of District Contributions¹
PERA's School Division Trust Fund
June 30, 2020

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 610,259	\$ 583,940	\$ 587,570	\$ 561,151
Contributions in relation to the contractually required contribution	<u>(610,259)</u>	<u>(583,940)</u>	<u>(587,570)</u>	<u>(561,151)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,148,906	\$ 3,052,483	\$ 3,111,133	\$ 3,052,292
Contributions as a percentage of covered payroll	19.38%	19.13%	18.89%	18.38%

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

<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
\$ 523,551	\$ 472,859	\$ 421,296
<u>(523,551)</u>	<u>(472,859)</u>	<u>(421,296)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,949,109	\$ 2,801,431	\$ 2,633,660
17.75%	16.88%	16.00%

HOLYOKE SCHOOL DISTRICT RE-1J
Schedule of the District's Proportionate Share of the Net OPEB Liability¹
PERA's Health Care Trust Fund
June 30, 2020

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
District's proportion of the net OPEB liability	0.0345%	0.0366%	0.0380%	0.0387%
District's proportionate share of the net OPEB liability	\$ 387,868	\$ 497,563	\$ 493,562	\$ 501,963
District's covered payroll	\$ 3,102,808	\$ 3,093,052	\$ 3,083,233	\$ 3,056,996
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.50%	16.09%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	17.53%	16.72%

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

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

HOLYOKE SCHOOL DISTRICT RE-1J
Schedule of District Contributions¹
PERA's Health Care Trust Fund
June 30, 2020

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 32,119	\$ 31,135	\$ 31,734	\$ 31,133
Contributions in relation to the contractually required contribution	<u>(32,119)</u>	<u>(31,135)</u>	<u>(31,734)</u>	<u>(31,133)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,148,906	\$ 3,052,483	\$ 3,111,133	\$ 3,052,292
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

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

HOLYOKE SCHOOL DISTRICT RE-1J
Notes to the Required Supplementary Information

Note A – Budgetary data

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

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

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

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

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

This page intentionally left blank.

Budgetary Comparison Schedules - General Fund

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

HOLYOKE SCHOOL DISTRICT RE-1J
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 2,632,104	\$ 2,651,783	\$ 2,726,789	\$ 75,006
Specific ownership taxes	240,513	302,000	309,334	7,334
Delinquent taxes and interest	5,000	7,200	7,160	(40)
Earnings on investments	2,500	2,500	9,327	6,827
Pupil activities	50,000	47,000	57,323	10,323
Other local revenue	89,700	79,036	93,307	14,271
Services within the BOCES			13,520	13,520
Total local sources	3,019,817	3,089,519	3,216,760	127,241
Intermediate sources	150	150	388	238
State sources				
Equalization	3,064,805	3,174,612	3,180,415	5,803
Vocational education	36,000	28,200	20,994	(7,206)
ELPA professional development	35,000	30,082	30,082	-
English language proficiency act	20,000	25,619	25,619	-
CPP tax check off			787	787
Transportation	60,000	57,066	59,266	2,200
State grants to libraries	3,500	4,500	4,500	-
Small rural schools funding	152,877	152,877	152,877	-
Additional at-risk funding			4,771	4,771
Kindergarten capital construction			15,276	15,276
READ Act	12,000	16,619	16,619	-
Revenue from other agencies		7,000		(7,000)
State on-behalf payment			75,777	75,777
Services within the BOCES	168,138	153,531	180,916	27,385
Total state sources	3,552,320	3,650,106	3,767,899	117,793
Federal sources				
Title I	87,000	85,758	85,758	-
Title II-A	16,000	15,869	15,869	-
Title IV-A	10,000	9,850	9,850	-
Cornoaviurs relief			7,868	7,868
REAP	24,000	31,966	31,966	-
Services within the BOCES	13,000	24,462	25,013	551
Total federal sources	150,000	167,905	176,324	8,419
Total revenues	\$ 6,722,287	\$ 6,907,680	\$ 7,161,371	\$ 253,691

This page intentionally left blank.

HOLYOKE SCHOOL DISTRICT RE-1J
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Salaries	\$ 2,529,989	\$ 2,531,340	\$ 2,341,034	\$ 190,306
Employee benefits	919,859	899,353	846,621	52,732
Purchased services	517,965	501,750	479,217	22,533
Supplies and materials	110,425	129,276	93,501	35,775
Property	542,355	113,200	78,490	34,710
Other	137,850	899,708	430,239	469,469
Total instruction	4,758,443	5,074,627	4,269,102	805,525
Supporting services				
Students				
Salaries	50,716	80,716	109,704	(28,988)
Employee benefits	17,751	24,306	43,290	(18,984)
Purchased services	200	200		200
Supplies and materials	500	1,000	1,923	(923)
Total students	69,167	106,222	154,917	(48,695)
Instructional staff				
Salaries	19,948	3,400	26,126	(22,726)
Employee benefits	4,359	743	11,896	(11,153)
Purchased services	30,574	39,824	40,747	(923)
Supplies and materials	5,800	8,050	7,701	349
Property		2,000	1,758	242
Other	600	600	1,598	(998)
Total instructional staff	61,281	54,617	89,826	(35,209)
General administration				
Salaries	149,502	148,649	148,071	578
Employee benefits	41,681	41,681	44,784	(3,103)
Purchased services	121,002	121,552	93,942	27,610
Supplies and materials	11,250	13,250	13,228	22
Property	1,500	1,500	665	835
Other	17,400	17,400	11,564	5,836
Total general administration	342,335	344,032	312,254	31,778

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	103,959	106,719	213,120	(106,401)
Employee benefits	38,189	38,509	78,264	(39,755)
Purchased services	1,700	1,700	831	869
Supplies and materials	2,550	2,550	2,153	397
Property	300	500	569	(69)
Other	1,020	1,020	782	238
Total school administration	147,718	150,998	295,719	(144,721)
Business services				
Salaries	111,453	112,126	113,453	(1,327)
Employee benefits	48,133	39,799	42,271	(2,472)
Purchased services	2,250	2,250		2,250
Supplies and materials	2,000	2,000	1,767	233
Property	900	900		900
Other	450	450	5,697	(5,247)
Total business services	165,186	157,525	163,188	(5,663)
Operations and maintenance				
Salaries	226,840	220,355	207,575	12,780
Employee benefits	96,152	94,835	94,958	(123)
Purchased services	203,100	207,100	173,504	33,596
Supplies and materials	81,700	86,700	67,077	19,623
Property	2,500	6,500	6,539	(39)
Other	3,500	500	631	(131)
Total operations and maintenance	613,792	615,990	550,284	65,706
Student transportation				
Salaries	144,336	141,560	119,143	22,417
Employee benefits	31,136	29,899	30,438	(539)
Purchased services	63,050	73,750	53,302	20,448
Supplies and materials	60,500	60,500	55,446	5,054
Other		100	55	45
Total student transportation	299,022	305,809	258,384	47,425

(continued)

HOLYOKE SCHOOL DISTRICT RE-1J
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2020

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Salaries	63,375	59,226	77,551	(18,325)
Employee benefits	19,611	19,611	26,684	(7,073)
Purchased services	159,457	157,099	151,716	5,383
Supplies and materials	10,000	12,500	5,207	7,293
Property	1,000	2,000	2,606	(606)
Other	1,900	2,100	934	1,166
Total central support services	255,343	252,536	264,698	(12,162)
Total supporting services	1,953,844	1,987,729	2,089,270	(101,541)
Debt service				
Principal retirement			270,182	(270,182)
Interest and fiscal charges			30,414	(30,414)
Total debt service	-	-	300,596	(300,596)
Appropriated reserves	1,302,434	1,602,790		1,602,790
Total expenditures	<u>\$ 8,014,721</u>	<u>\$ 8,665,146</u>	<u>\$ 6,658,968</u>	<u>\$ 2,006,178</u>

Budgetary Comparison Schedules – Nonmajor Governmental Funds

The District reports the following nonmajor governmental fund:

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

- Food Service Fund – This fund is used to record financial transactions related to the District’s food service operations.
- Pupil Activity Fund – This fund is used to record transactions related to school-sponsored pupil organizations and activities.
- Scholarship Fund – This fund is used to account for the financial transactions related to the administration of scholarships that are awarded to students.

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

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

HOLYOKE SCHOOL DISTRICT RE-1J
Nonmajor Governmental Funds
Combining Balance Sheet
For the Year Ended June 30, 2020

	Food Service Fund	Pupil Activity Fund	Scholarship Fund	Bond Redemption Fund
Assets				
Cash	\$ 23,888	\$ 152,971	\$ 54,438	
Cash with fiscal agent				\$ 402,340
Property taxes receivable				8,672
Grants receivable	85,941			
Other receivables	6,055			
Inventory	15,373			
Total assets	\$ 131,257	\$ 152,971	\$ 54,438	\$ 411,012
Liabilities				
Accounts payable	\$ 22,069			
Due to other funds	25,324			\$ 15,612
Unearned revenue	11,436			
Total liabilities	58,829	\$ -	\$ -	15,612
Deferred inflows of resources				
Deferred property tax revenues				3,015
Total deferred inflows of resources	-	-	-	3,015
Fund balance				
Nonspendable inventory	15,373			
Restricted for:				
Food service operations	57,055			
Scholarships			54,438	
Debt service				392,385
Committed to pupil activities		152,971		
Total fund balance	72,428	152,971	54,438	392,385
Total liabilities, deferred inflows of resources and fund balance	\$ 131,257	\$ 152,971	\$ 54,438	\$ 411,012

Totals

\$ 231,297
402,340
8,672
85,941
6,055
15,373

\$ 749,678

\$ 22,069
40,936
11,436

74,441

3,015

3,015

15,373

57,055
54,438
392,385
152,971

672,222

\$ 749,678

HOLYOKE SCHOOL DISTRICT RE-1J
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

	Food Service Fund	Pupil Activity Fund	Scholarship Fund	Bond Redemption Fund
Revenues				
Local sources	\$ 51,091	\$ 206,503	\$ 49,052	\$ 148,284
State sources	12,965			
Federal sources	255,256			
Total revenues	319,312	206,503	49,052	148,284
Expenditures				
Instruction		160,527	20,705	
Supporting services	270,352			
Debt service				
Principal				130,000
Interest and fiscal charges				10,263
Total expenditures	270,352	160,527	20,705	140,263
Excess of revenues over expenditures	48,960	45,976	28,347	8,021
Other financing sources				
Transfers in	5,000			
Net change in fund balance	53,960	45,976	28,347	8,021
Fund balance at beginning of year	18,468	106,995	26,091	384,364
Fund balance at end of year	<u>\$ 72,428</u>	<u>\$ 152,971</u>	<u>\$ 54,438</u>	<u>\$ 392,385</u>

Totals

\$	454,930
	12,965
	<u>255,256</u>
	723,151
	181,232
	270,352
	130,000
	<u>10,263</u>
	<u>591,847</u>
	131,304
	5,000
	<u>136,304</u>
	535,918
\$	<u><u>672,222</u></u>

HOLYOKE SCHOOL DISTRICT RE-1J
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues				
Local sources	\$ 66,500	\$ 59,896	\$ 51,091	\$ (8,805)
State sources	5,000	5,000	12,965	7,965
Federal sources	140,000	154,000	255,256	101,256
Total revenues	211,500	218,896	319,312	100,416
Expenditures				
Supporting services				
Purchased services	159,000	164,000	147,741	16,259
Supplies and materials	58,000	82,200	120,346	(38,146)
Property	1,500			-
Other	3,000	3,020	2,265	755
Appropriated reserves	40,902	18,468		18,468
Total expenditures	262,402	267,688	270,352	(2,664)
Excess of revenues over (under) expenditures	(50,902)	(48,792)	48,960	97,752
Other financing sources				
Transfers in	10,000	30,324	5,000	(25,324)
Net change in fund balance	\$ (40,902)	\$ (18,468)	53,960	\$ 72,428
Fund balance at beginning of year			18,468	
Fund balance at end of year			\$ 72,428	

HOLYOKE SCHOOL DISTRICT RE-1J
Pupil Activity Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 275,000	\$ 245,000	\$ 206,503	\$ (38,497)
Expenditures				
Instruction				
Purchased services			14,633	(14,633)
Supplies and materials	275,000	245,000	132,145	112,855
Property			321	(321)
Other			13,428	(13,428)
Appropriated reserves	123,325	106,995		106,995
Total expenditures	398,325	351,995	160,527	191,468
Net change in fund balance	\$ (123,325)	\$ (106,995)	45,976	\$ 152,971
Fund balance at beginning of year			106,995	
Fund balance at end of year			\$ 152,971	

HOLYOKE SCHOOL DISTRICT RE-1J
Scholarship Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments			\$ 35	\$ 35
Contributions	\$ 21,000	\$ 21,000	49,017	28,017
Total revenues	21,000	21,000	49,052	28,052
Expenditures				
Instruction				
Other	21,000	21,000	20,705	295
Appropriated reserves	12,933	26,091		26,091
Total expenditures	33,933	47,091	20,705	26,386
Net change in fund balance	\$ (12,933)	\$ (26,091)	28,347	\$ 54,438
Fund balance at beginning of year			26,091	
Fund balance at end of year			\$ 54,438	

HOLYOKE SCHOOL DISTRICT RE-1J
Bond Redemption Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 138,263	\$ 142,887	\$ 144,445	\$ 1,558
Delinquent taxes and interest	500	500	388	(112)
Earnings on investments	3,000	3,000	3,451	451
Total revenues	141,763	146,387	148,284	1,897
Expenditures				
Debt service				
Principal retirement	130,000	130,000	130,000	-
Interest and fiscal charges	11,763	16,387	10,263	6,124
Appropriated reserves	386,249	384,364		384,364
Total expenditures	528,012	530,751	140,263	390,488
Net change in fund balance	\$ (386,249)	\$ (384,364)	8,021	\$ 392,385
Fund balance at beginning of year			384,364	
Fund balance at end of year			\$ 392,385	

This page intentionally left blank.

**Colorado Department of Education
Supplementary Schedule**

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

This page intentionally left blank.



Independent Auditors' Report on Auditors' Integrity Report

Board of Education
Holyoke School District RE-1J
Holyoke, Colorado

We have audited the financial statements of the Holyoke School District RE-1J (the District) as of and for the year ended June 30, 2020, and our report thereon dated November 30, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 30, 2020



Colorado Department of Education

Auditors Integrity Report

District: 2620 - Holyoke Re-1J

Fiscal Year 2019-20

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	1,602,790	7,341,371	6,658,968	2,285,193
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub-Total	1,602,790	7,341,371	6,658,968	2,285,193
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	26,091	49,052	20,705	54,438
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	18,468	324,311	270,351	72,428
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	106,995	206,503	160,527	152,971
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	384,364	148,284	140,262	392,385
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	2,138,708	8,069,520	7,250,814	2,957,414
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	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