

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

June 30, 2020

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Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

JAMES E. GARREN, CPA
MEL J. ROSS, CPA
SAM J. DeNARDO, CPA

SUITE 200
3673 PARKER BOULEVARD
PUEBLO, COLORADO 81008
719 / 544-9872
FAX 719 / 253-5417
www.grdcpa.com

Independent Auditor's Report

January 26, 2021

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County School District No. 70 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Swallows Charter Academy, a component unit of the District, which represents 48%, 47% and 60%, respectively, of the assets, fund balances, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Swallows Charter Academy in the aggregate discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County School District No. 70, as of June 30, 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 and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, January 26, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Darren Ross ; Delgado, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
Pueblo County School District No. 70
Pueblo County, Colorado
June 30, 2020

As management of the Pueblo County School District No. 70, Pueblo County, Colorado (the District), we offer readers of the District's financial statements this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements, which immediately follow this section.

Financial Highlights

- Since July 1, 2014, the District has been required to apply the Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68). The GASB pronouncement is discussed in more detail under Accounting Pronouncements on page 6.
- GASB 68 revises and establishes financial reporting requirements for governments that provide their employees with pension benefits. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by the Public Employees' Retirement Association of Colorado (PERA).
- Among other requirements, the District is now required to report its proportionate share of the total PERA Net Pension Liability (NPL) in its government-wide financial statements. The District's share of the PERA NPL is \$118.2 million as of June 30, 2020. Inclusion of this figure in the government-wide financial statements does not indicate that the District has a liability to pay the amount shown. The District's liability is limited to the annually required contributions established by the State Legislature.
- Fund level statements, including the General Fund statements, are not impacted by GASB 68 reporting.
- Due to the effect of GASB 68, the District has a negative net position. The governmental liabilities and deferred inflows of resources exceed its assets and deferred outflows of resources by \$142.1 million.
- The net position of the District includes \$40.14 million invested in capital assets, net of related debt; \$15.32 million restricted for debt service payments; \$2.58 million restricted for emergencies, as defined under the Taxpayer Bill of Rights; \$0.05 million restricted for Grants; and an unrestricted net position balance of negative (\$200.17) million. The unrestricted balance is negative due to the effects of GASB 68. The unrestricted balance is also different than what would be reflected on a governmental fund accounting basis due to the accounting treatment in the government-wide statements of long-term liabilities.
- In prior years, the District reported the Pupil Activity Fund as a fiduciary fund. Beginning this school year, the Activity Fund will be included as a special revenue fund due to the adoption of Governmental Accounting Standards Board Statement No. 84.

- In prior years, the District reported its Food Service operations as a business-type activity separate from governmental activities. Due to a change in State regulations, the Food Services Fund began reporting as a governmental fund during school year ending June 30, 2015.
- The total net position of the District increased by \$24,238,378 for the year ended June 30, 2020, primarily due to the accounting treatment of the Net Pension Liability.
- Fund balance of the District's governmental funds increased by \$3,998,877 resulting in an ending fund balance of \$29,846,994. This increase was due primarily to the continuation of tight expense controls in the District.
- During the current fiscal year, the fund balance in the District's General Fund (including the Capital Reserve, Insurance Reserve and Pre-School Funds) increased by \$2,758,549 from \$9,386,708 to \$12,145,257. This was primarily due to continuing expense controls implemented by the District.
- The District's long-term obligations decreased by \$7,845,511 to \$96,121,758. Current year principal payments on existing General Obligation debt totaled \$5,760,000.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. Implementation of GASB 68, however, has a significant impact on the Net Position and should be taken into consideration in evaluating the District's financial health.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Accounting Pronouncements

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

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

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

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

The current period pension expense primarily results from changes in the components of the NPL. NPL is computed as the difference between the employer's obligation to provide pension benefits earned and funding of those benefits (the plan assets being held in trust); pension amounts earned by current and former employees for past services are recorded as a liability in current statements, not in future statements. Most causes of change in the NPL are included in pension expense immediately. Changes resulting from certain causes are introduced into pension expense over multiple periods. See Note G on pages 30-36 in the Notes to Basic Financial Statements for the full disclosure related to PERA.

Fund Financial Statements

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

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

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

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds statements explains the relationship (or differences) between them. Governmental fund types used by the District include the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Funds.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. An *enterprise fund* (one type of proprietary fund) statement is the same as a business-type activity statement but provides more detail and additional information such as cash flows. The Food Service Fund is no longer treated as a proprietary fund.
- *Fiduciary funds:* This type of fund is used for the District to act solely as a trustee or agent for the benefit of others. The District has no fiduciary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 22-48 of this report.

District-wide Financial Analysis

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories, accrued revenue, and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax collection process; the District receives approximately 56% of the annual property tax assessment in April, May and June.

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets, or new resources that become available during Fiscal 2021. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after Fiscal 2021.

The liabilities of the District activities exceed assets by \$142,082,171 and the Unrestricted Net Position is negative (\$200,171,983). This negative net position is due to the implementation of GASB 68, as discussed earlier, which increased Liabilities with the inclusion of the Net Pension Liability of (\$118,241,565). Measures continue to be successfully implemented by the District to eliminate the negative unrestricted balance (net of the Pension Liability) which existed at June 30, 2014 and to maintain a positive unrestricted balance, net of the Pension Liability.

The District has a net investment of \$40,136,296 in land, improvements, building, equipment, and vehicles, net of related debt, which provide the services to the District's 10,629 public school students. Net position of \$15,324,879 accumulated due to voter approved bonded debt mill levy assessments, has been restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The legally required TABOR reserves have also been restricted in the amount of \$2,577,700.

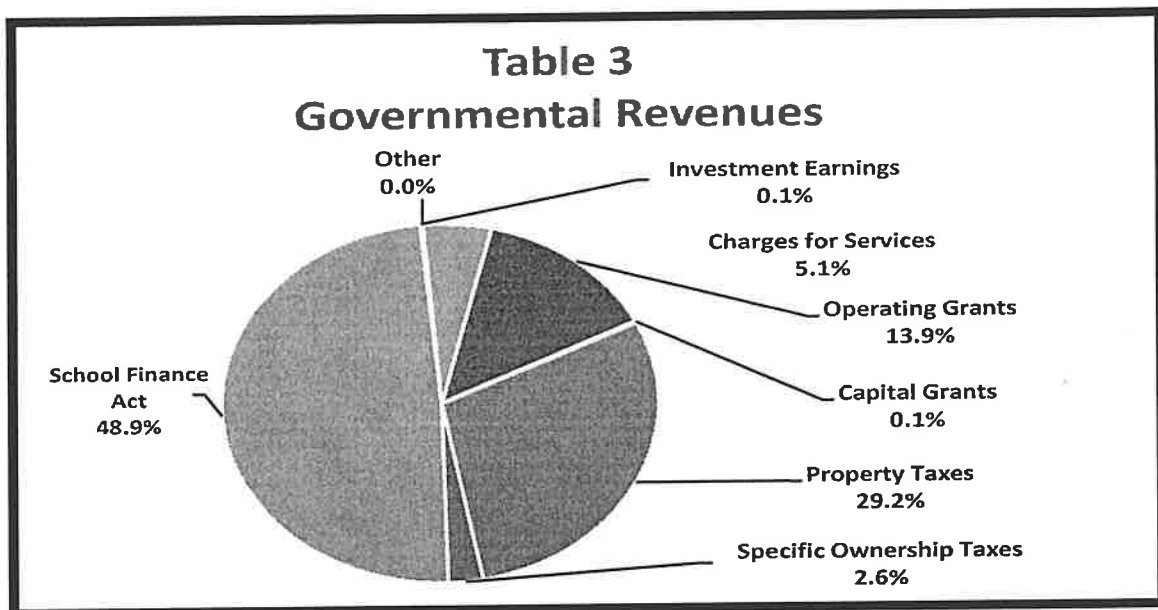
Table 1 provides a condensed summary of the District's net position for 2020 compared to 2019:

Table 1 Comparative Statement of Net Position As of June 30, 2020		
	Governmental Activities	
	2020	2019
Assets		
Current and Other Assets	47,223,867	36,030,017
Capital Assets	133,865,785	140,581,244
Total Assets	181,089,652	176,611,261
Liabilities		
Current Liabilities	24,739,534	19,982,268
Non-Current Liabilities	216,475,686	247,022,848
Total Liabilities	241,215,220	267,005,116
Deferred Inflow/Outflow of Resources		
Deferred Outflow	28,217,692	59,359,043
Deferred Inflow	110,174,295	136,435,276
Net Position		
Invested in Capital Assets, Net of Related Debt	40,136,296	38,538,806
Restricted	17,953,516	16,257,667
Unrestricted	(200,171,983)	(222,266,561)
Total Net Position	(142,082,171)	(167,470,088)
See PERA Discussion on page 6 for explanation of "Unrestricted" Change		

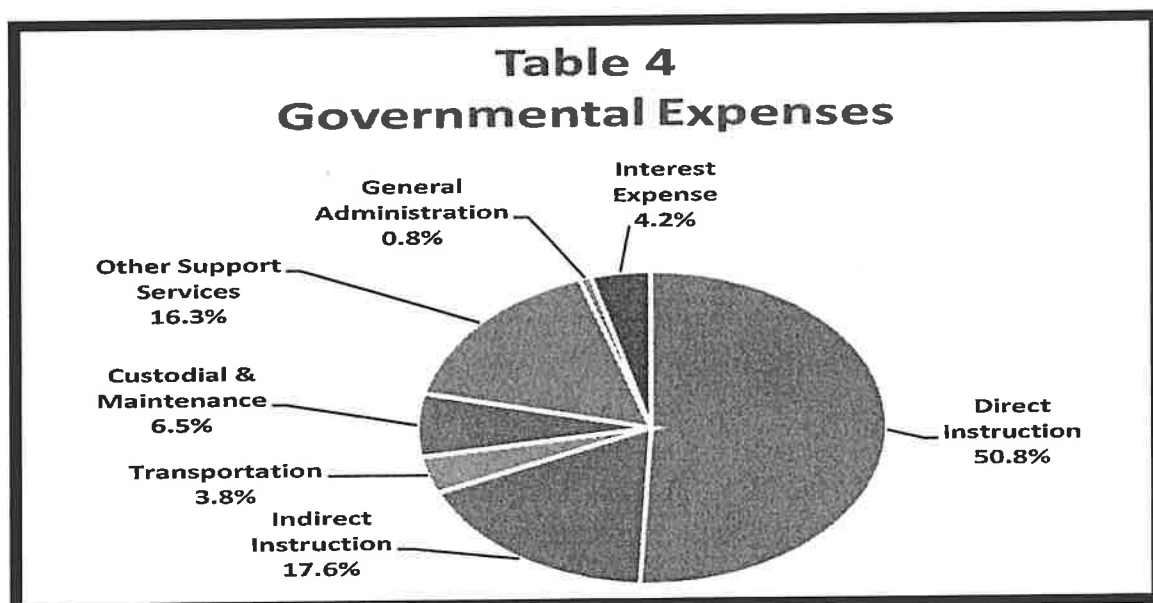
Table 2 shows the changes in net position for fiscal year 2020 compared to 2019:

Table 2 Changes in Net Position As of June 30, 2020		
	Governmental Activities	
	2020	2019
Revenues		
Program Revenues:		
Charges for Services	5,322,583	5,141,031
Operating Grants & Contributions	14,516,910	10,799,589
Capital Grants and Contributions	118,191	184,601
General Revenues:		
Taxes:		
Local Property Taxes	30,514,924	27,621,142
Specific Ownership Taxes	2,757,433	2,877,443
School Finance Act	51,160,431	46,289,192
Earnings on Investments	152,831	220,658
Other	(13,242)	558,199
Total Revenues	104,530,061	93,691,855
Expenses		
Governmental Activities:		
Direct Instruction	40,775,077	49,154,767
Indirect Instruction	14,151,132	17,822,690
Transportation	3,080,629	3,006,847
Custodial and Maintenance	5,238,088	5,429,198
Other Support Services	13,066,092	14,061,406
General Administration	645,907	738,001
Interest Expense-Unallocated	3,334,758	3,637,827
Total Expenses	80,291,683	93,850,736
Change in Net Position	24,238,378	(158,881)
Net Position - July 1	(166,320,549)	(167,311,207)
Net Position - June 30	(142,082,171)	(167,470,088)

As shown in **Table 3** below, State equalization and taxes (Property Taxes and Specific Ownership Taxes) accounted for most of the District's total revenue. As shown in the graph below, State Equalization (School Finance Act) contributed 48.9% of total revenues, while Property Taxes and Specific Ownership Taxes contributed 31.8% of every dollar raised. Another 14.0% came from state and federal grants for specific programs and the remaining 5.2% from fees charged for services, investment earnings and miscellaneous sources. As a percentage of total revenue, the State Equalization component and property taxes changed slightly from the prior year. These amounts are determined annually by the state in accordance with the School Finance Act.



As shown in **Table 4** below, a total of 68.4% of the District's expenses are related to instructing and caring for (pupil services) students. This is a decrease from 71.4% in the prior year. Transportation accounts for 3.8% of District expenses, which is higher than many other districts. The District's administrative expenses accounted for only 0.8% of total costs.



Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$8,055 per funded student in FY 2019-20. This is up \$344 from \$7,711 per funded student in FY 2018-19. In Fiscal Year 2019-20 the funded pupil count was 10,281.1. This is an increase of 702.5 over the prior year. For the 2019-20 fiscal year the District continued to be one of the lowest funded districts in the state. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The District receives approximately 68.2% of SFA funding from state equalization while the remaining amounts come from property taxes and specific ownership taxes. The District's assessed valuation generated \$30,234,924 in total property taxes (for both operations and bond redemption payments) in fiscal year 2019-20. Due to a small increase in the District's assessed valuation for collection in fiscal year 2020-21, this is expected to again increase in the 2020-21 fiscal year.

The District sets the bond mill rate annually in an amount sufficient to make the annual debt service payment. As a result of significant enrollment growth, the District has requested and received voter approval for bond issues in 1994, 1995, 1999, 2002, and 2012. Accordingly, the bond redemption mill levy increased from 12.925 mills in fiscal year 1996 to 21.964 mills in fiscal year 2005. Subsequently, however, due primarily to growth and the corresponding increase in assessed valuation, the District has experienced a decrease in the bond redemption mill levy. For fiscal year 2020-21, the bond redemption mill levy is 12.963 mills.

Financial Analysis of the District's Funds

Detailed information about the District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. For FY 2019-20, all government funds had total revenues, including other financing sources, of \$104,640,138 and expenditures of \$100,641,261. The Debt Service Fund experienced an increase in fund balance, increasing by \$1,438,624. The General Fund change in fund balance, after considering Capital Leases and Transfers, was an increase of \$2,758,549.

General Fund Budgetary Highlights.

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

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

Capital Assets and Debt Administration

By the end of Fiscal 2020, the District had invested \$219,809,710 in land, buildings, Construction in Progress, equipment and transportation vehicles. As shown in **Table 5** below, this is a 0.21% increase in Fiscal 2020 compared to 2019. The District has substantially completed plant and equipment improvements resulting from the successful 2012 bond election.

Table 5
Capital Assets at June 30, 2020 and 2019

Additional information on the District's capital assets can be found in Note E on page 29 of this report.

	Governmental Activities		Total Percentage Change
	2020	2019	2019-2020
Land	659,080	659,080	0.00%
Construction in Progress	60,000	416,994	-85.61%
Building & Improvements	201,429,173	201,259,217	0.08%
Furniture & Fixtures	14,828,401	14,487,755	2.35%
Automotive Equipment	2,833,056	2,529,538	12.00%
Total Capital Assets	219,809,710	219,352,584	0.21%

Long-term Debt.

At June 30, 2020, the District had total bonded debt outstanding of \$64,445,000 backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for Capital Leases, Certificates of Participation, Qualified Zone Academy Bonds, and Build America Bonds in the amount of \$25,359,096 outstanding at the end of the current fiscal year. This is a decrease of \$2,186,399 from the end of the prior year. Energy efficiencies undertaken by the District in recent years comprise a significant portion of the Capital Lease and Certificates of Participation obligations.

The total District General Obligation Bonds outstanding decreased by \$5,760,000 during the fiscal year as a result of District bond principal payments. No new General Obligation Bonds were issued by the District.

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

State statutes limit the amount of General Obligation debt that the District may issue. At the end of fiscal year 2019-20 the District had \$87.8 million of unused bond capacity. Additional increases in Assessed Valuation, combined with the scheduled payment of principal, is projected to free up more capacity in the ensuing fiscal years, thus providing the needed capacity for future bond issues to be presented to the voters should the need arise. The amount and timing of additional debt issuance in the future, subject to statutory debt limitations and voter approval, will depend on the rate of enrollment growth, capital needs, assessed valuation growth, and the continuing repayment of existing debt.

Additional information on the District's long-term obligations can be found in Notes J and K on pages 43-45 of this report.

Economic Factors and Next Year's Budget and Rates

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

- For calendar year 2019, the inflation rate was 2.7%. Accordingly, in accordance with Amendment 23, the District should receive additional funding of 2.7% for the 2020-21 school year. Because of the State financial crisis in the 2008 - 2012 time-frame, the District experienced a severe shortfall in funding for several years compared with the amounts contemplated under Amendment 23. Thus, because of adjustments, the actual was decreased for the 2020-21 school year is expected to be -6.96%. Adjustments continue to be made to the funding formula. Nevertheless, the District continues to receive per pupil revenue well below the Amendment 23 formula amounts, thus causing continued financial strain on the District.
- In November 2020, the voters approved a bond issue of approximately \$75M for various capital improvements.

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

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

STATEMENT OF NET POSITION
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

	Primary Government Governmental Activities	Component Units Charter Schools
<u>Assets</u>		
Cash and equivalents	\$ 27,775,113	\$ 2,114,609
Cash with County Treasurer	479,701	-
Restricted cash and equivalents	-	211,992
Investments	15,270,352	-
Receivables		
Taxes	2,258,550	-
Other	151,503	100
Due from primary government	-	1,754,091
Accrued federal/state revenue	725,656	13,301
Prepaid expenses	430,777	31,385
Assets held by the primary government	-	287,346
Inventories	105,028	-
Deposit	27,187	-
Capital assets, net of depreciation	133,865,785	6,600,949
Total Assets	181,089,652	11,013,773
<u>Deferred Outflow of Resources</u>		
Bond discount	59,783	-
Related to OPEB	623,218	67,659
Related to pensions	27,534,691	2,892,430
Total Deferred Outflows of Resources	28,217,692	2,960,089
<u>Liabilities</u>		
Accounts and interest payable	1,499,088	46,154
Accrued salaries	8,830,667	470,536
Due to component unit	1,754,091	-
Unearned revenue	5,041,927	587,559
Long- Term Liabilities		
Due within one year	7,613,761	151,176
Due in more than one year	92,433,390	4,789,635
Net OPEB liability	5,800,731	479,690
Net pension liability	118,241,565	9,538,469
Total Liabilities	241,215,220	16,063,219
<u>Deferred Inflow of Resources</u>		
Deferred amount on refunding	15,159	-
Related to OPEB	1,196,285	89,545
Related to pensions	108,962,851	7,120,722
Total Deferred Inflows of Resources	110,174,295	7,210,267
<u>Net Position</u>		
Investment in capital assets, net of related debt	40,136,296	5,480,660
Restricted	17,953,516	270,725
Unrestricted	(200,171,983)	(15,051,009)
Total Net Position	\$ (142,082,171)	\$ (9,299,624)

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

STATEMENT OF ACTIVITIES
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2020

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Program Revenue		Component Unit
			Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Direct instruction	\$ 40,775,077	\$ 746,125	\$ 13,084,152	\$ 58,191	\$ -
Indirect instruction	14,151,132	-	1,157,529	-	-
Transportation	3,080,629	-	-	-	-
Custodial and maintenance	5,238,088	-	3,116	-	-
Other support services	13,066,092	4,183,755	248,830	60,000	-
General administration	645,907	392,703	23,283	-	-
Interest expense, unallocated	3,334,758	-	-	-	-
Total Governmental Activities	80,291,683	5,322,583	14,516,910	118,191	-
Component Unit - Charter Schools	\$ 9,060,708	\$ 5,111	\$ 425,612	\$ 388,127	\$ (8,241,858)
General Revenues					
Local property taxes				\$ 30,514,924	\$ -
Specific ownership taxes				2,757,433	-
School finance act				51,160,431	9,432,843
Earnings on investments				152,831	2,496
Gain (loss) on sale of capital assets				(61,266)	-
Other				48,024	81,939
Total General Revenues				84,572,377	9,517,278
Changes in Net Position				24,238,378	1,275,420
Net Position - July 1 (Restated)				(166,320,549)	(10,575,044)
Net Position - June 30				\$ (142,082,171)	\$ (9,299,624)

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

GOVERNMENTAL FUND
FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

	General Fund	Debt Service Fund	Designated Purpose Grants Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 20,691,358	\$ -	\$ 4,985,751	\$ 2,098,004	\$ 27,775,113
Cash with County Treasurer	383,887	95,814	-	-	479,701
Investments, at fair value	334,166	14,870,309	65,877	-	15,270,352
Accounts and other receivables	104,493	-	7,270	9,222	120,985
Other taxes receivable	1,229,794	358,756	-	-	1,588,550
Due from other funds	152,423	-	-	80,353	232,776
Property taxes receivable	455,000	215,000	-	-	670,000
Accrued federal revenue	12,314	-	612,319	94,623	719,256
Accrued state revenue	4,800	-	1,600	-	6,400
Deposits	27,187	-	-	-	27,187
Inventories	32,097	-	-	72,931	105,028
Total Assets	23,427,519	15,539,879	5,672,817	2,355,133	46,995,348
Liabilities					
Accounts payable	570,107	-	20,652	28,134	618,893
Accrued salaries and benefits	8,170,072	-	353,127	307,468	8,830,667
Due to other funds	230	-	152,423	80,123	232,776
Due to component unit	1,754,091	-	-	-	1,754,091
Unearned revenue	332,762	-	4,602,929	106,236	5,041,927
Total Liabilities	10,827,262	-	5,129,131	521,961	16,478,354
Deferred Inflow of Resources -					
Property taxes	455,000	215,000	-	-	670,000
Fund Balance					
Nonspendable	32,097	-	-	72,931	105,028
Restricted	2,492,100	15,324,879	57,737	78,800	17,953,516
Assigned	704,963	-	485,949	1,681,441	2,872,353
Unassigned	8,916,097	-	-	-	8,916,097
Total Fund Balances	\$ 12,145,257	\$ 15,324,879	\$ 543,686	\$ 1,833,172	\$ 29,846,994

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

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

Total Fund Balances - Governmental Fund	\$ 29,846,994
Property tax receivable-revenues that are not available to pay current expenditures are not on the governmental fund financial statements, but recognized on the government-wide financial statements.	670,000
Revenue receivable that does not provide current financial resources is not recorded in the governmental fund statements.	30,518
Expenditures for services which benefit future periods are treated as prepaid expenses and included in current assets in the government-wide financial statements.	430,777
Capital assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds.	133,865,785
Deferred outflows from refunding debt are not considered current financial resources and not reported in the governmental funds.	59,783
Deferred amount on refunding is not due and payable in the current period and not included in the fund financial statements.	(3,940,552)
Long-term liabilities for general obligation debt (\$64,445,000), quality zone academy bond debt (\$563,341), certificates of participation (\$6,350,000) Build America bonds (\$3,341,755), capital leases (\$15,104,000), and compensated absences (6,317,662) are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(96,121,758)
Interest payable on general obligation debt is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements since the liability is to be paid in the near term.	(880,195)
Deferred outflows related to pension (\$27,534,691) and OPEB (\$623,218) assumptions are not recorded and included in the governmental funds.	28,157,909
Deferred inflows related to pension (\$108,962,851) and OPEB (\$1,196,285) contributions, subsequent to plan measurement date, are not included in the long term liability.	(110,159,136)
Net pension (\$118,241,565) and OPEB (\$5,800,731) liabilities for the District are a long term liability not due and payable in the current period and therefore not reported in governmental funds.	<u>(124,042,296)</u>
Total Net Position - Governmental Activities	<u>\$ (142,082,171)</u>

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

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2020

	General Fund	Debt Service Fund	Designated Purpose Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local property tax	\$ 20,451,926	\$ 9,782,998	\$ -	\$ -	\$ 30,234,924
Specific ownership tax	2,757,433	-	-	-	2,757,433
State sources	66,565,139	-	175,498	74,104	66,814,741
Federal sources	1,802,724	-	4,254,613	2,439,854	8,497,191
Other sources	1,327,888	144,705	216,994	3,472,893	5,162,480
Fund allocations	(9,157,200)	-	-	-	(9,157,200)
Total Revenues	<u>83,747,910</u>	<u>9,927,703</u>	<u>4,647,105</u>	<u>5,986,851</u>	<u>104,309,569</u>
Expenditures					
Direct instruction	45,377,468	-	3,346,416	2,991,141	51,715,025
Indirect instruction	16,602,234	-	1,135,685	231	17,738,150
Transportation	2,925,092	-	-	147,122	3,072,214
Custodial and maintenance	5,767,443	-	6,792	8,107	5,782,342
Other support services	4,531,751	-	60,417	3,897,114	8,489,282
General administration	725,416	-	64,316	-	789,732
Capital outlay	687,995	-	36,270	111,055	835,320
Debt service:					
Principal retirement	2,558,929	5,760,000	-	-	8,318,929
Interest and fiscal charges	1,171,188	2,729,079	-	-	3,900,267
Total Expenditures	<u>80,347,516</u>	<u>8,489,079</u>	<u>4,649,896</u>	<u>7,154,770</u>	<u>100,641,261</u>
Excess of Revenues Over (Under) Expenditures	<u>3,400,394</u>	<u>1,438,624</u>	<u>(2,791)</u>	<u>(1,167,919)</u>	<u>3,668,308</u>
Other Financing Sources (Uses)					
Transfers to other funds	(972,414)	-	-	-	(972,414)
Transfers from other funds	-	-	-	972,414	972,414
Proceeds from capital lease	330,569	-	-	-	330,569
Total Other Financing Sources (Uses)	<u>(641,845)</u>	<u>-</u>	<u>-</u>	<u>972,414</u>	<u>330,569</u>
Net Change in Fund Balances	2,758,549	1,438,624	(2,791)	(195,505)	3,998,877
Fund Balances - July 1 (Restated)	<u>9,386,708</u>	<u>13,886,255</u>	<u>546,477</u>	<u>2,028,677</u>	<u>25,848,117</u>
Fund Balances - June 30	<u>\$ 12,145,257</u>	<u>\$ 15,324,879</u>	<u>\$ 543,686</u>	<u>\$ 1,833,172</u>	<u>\$ 29,846,994</u>

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

RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2020

Total Change in Fund Balances - Governmental Funds	\$ 3,998,877
Change in receivables - revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	4,508
Discount on issuance of certificates of participation to be amortized over the repayment period.	(4,122)
Expenditures for services which benefit a future period are reported as prepaid expenses and included in current assets in the government wide statement of net position. In the governmental fund financial statements they are treated as expenditures when paid.	241,702
Change in property tax receivable - revenues that do not provide current financial resources are not included in the governmental fund financial statements but recognized on the government-wide financial statements.	280,000
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$7,457,711) exceeds capital outlay (\$806,268) in the period.	(6,651,443)
In the government-wide statements, basis in capital assets that have been sold reduces income. In governmental funds the basis is not recognized	(64,016)
In the government-wide statements the amortization of the deferred refunding amount reduces interest expense. In governmental funds the amortization is not recognized.	28,737
Principal retirements - retirements of principal outstanding on the District's debt result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these reductions against the long-term liabilities.	8,318,929
Some capital assets acquired this year were financed with capital leases. These amounts are reported in the governmental funds as a source of financing. On the other hand, these financing sources are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets.	(330,569)
Premiums on general obligation debt are amortized on the government-wide statements, but are recognized in full in the governmental funds.	366,550
Net pension (\$17,950,941) and OPEB (\$66,789) related items are reported in the statement of activities and do not require the use of current financial resources, and therefore, are not reported in the governmental funds.	18,017,730
In the government-wide statements accrued compensated absences are measured by the amount earned and unused. In the governmental funds, the expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid). Therefore, the change in the accrued compensated absences is recognized.	(142,849)
Interest payable on general obligation debt is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements, and the change in the liability is recognized.	<u>174,344</u>
Total Change in Net Position - Governmental Activities	<u>\$ 24,238,378</u>

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

COMPONENT UNIT
COMBINING STATEMENTS

COMBINING STATEMENT OF NET POSITION**COMPONENT UNITS**

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2020

	Connect Charter School	Villa Bella Expeditionary School	Swallows Charter Academy	Total
Assets				
Cash and equivalents	\$ 272,240	\$ 55,097	\$ 1,787,272	\$ 2,114,609
Restricted investments	-	-	211,992	211,992
Accounts receivable	-	100	-	100
Due from primary government	1,444,616	205,952	103,523	1,754,091
Accrued federal/state revenue	-	13,301	-	13,301
Prepaid expenses	-	-	31,385	31,385
Assets held by the primary government	314,742	(27,396)	-	287,346
Capital assets, net of depreciation	2,205,508	68,180	4,327,261	6,600,949
Total Assets	4,237,106	315,234	6,461,433	11,013,773
Deferred Outflow of Resources				
Related to OPEB	12,372	4,085	51,202	67,659
Related to pensions	428,389	1,168,058	1,295,983	2,892,430
Total Deferred Outflows of Resources	440,761	1,172,143	1,347,185	2,960,089
Liabilities				
Accounts and interest payable	5,090	3,237	37,827	46,154
Accrued salaries	175,761	106,758	188,017	470,536
Unearned revenue	125,981	100,388	361,190	587,559
Long- Term Liabilities				
Due within one year	44,427	-	106,749	151,176
Due in more than one year	1,290,656	30,099	3,468,880	4,789,635
Net OPEB liability	140,973	37,454	301,263	479,690
Net pension liability	2,653,784	752,780	6,131,905	9,538,469
Total Liabilities	4,436,672	1,030,716	10,595,831	16,063,219
Deferred Inflow of Resources				
Related to OPEB	27,099	6,795	55,651	89,545
Related to pensions	2,713,092	430,692	3,976,938	7,120,722
Total Deferred Inflows of Resources	2,740,191	437,487	4,032,589	7,210,267
Net Position				
Investment in capital assets, net of related debt	979,976	68,180	4,432,504	5,480,660
Restricted	70,400	40,900	159,425	270,725
Unrestricted	(3,549,272)	(89,906)	(11,411,731)	(15,051,009)
Total Net Position	\$ (2,498,896)	\$ 19,174	\$ (6,819,802)	\$ (9,299,624)

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

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

	<u>Connect Charter School</u>	<u>Villa Bella Expeditionary School</u>	<u>Swallows Charter Academy</u>	<u>Total</u>
<u>Expenses</u>				
Direct instructional	\$ 1,122,502	\$ 1,017,994	\$ 2,494,883	\$ 4,635,379
Indirect instructional	351,159	401,264	-	752,423
Transportation	-	102	-	102
Custodial and maintenance	120,909	376,300	-	497,209
Other support services	80,216	66,942	2,709,097	2,856,255
General administration	29,069	20,213	-	49,282
Interest expense - unallocated	73,805	-	196,253	270,058
Total Expenses	<u>1,777,660</u>	<u>1,882,815</u>	<u>5,400,233</u>	<u>9,060,708</u>
<u>Program Revenues</u>				
Charges for services	118	4,993	-	5,111
Operating grants and contributions	43,944	227,620	154,048	425,612
Capital grants and contributions	77,799	77,556	232,772	388,127
Total Program Revenues	<u>121,861</u>	<u>310,169</u>	<u>386,820</u>	<u>818,850</u>
Net (Expense) Program Revenue	<u>(1,655,799)</u>	<u>(1,572,646)</u>	<u>(5,013,413)</u>	<u>(8,241,858)</u>
<u>General Revenues</u>				
School finance act	2,247,443	1,562,738	5,622,662	9,432,843
Interest income	10	-	2,486	2,496
Other income	-	18,312	63,627	81,939
Total General Revenues	<u>2,247,453</u>	<u>1,581,050</u>	<u>5,688,775</u>	<u>9,517,278</u>
Changes in Net Position	591,654	8,404	675,362	1,275,420
Net Position - July 1 (Restated - Swallows)	<u>(3,090,650)</u>	<u>10,770</u>	<u>(7,495,164)</u>	<u>(10,575,044)</u>
Net Position - June 30	<u>\$ (2,498,996)</u>	<u>\$ 19,174</u>	<u>\$ (6,819,802)</u>	<u>\$ (9,299,624)</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

A component unit is a legally separate organization for which elected officials of the primary government are considered to be financially accountable. The component units discussed below are included in the School District's reporting entity.

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

The School District has three charter schools - Connect School, Villa Bella Expeditionary and the Swallows Charter Academy. Financial statements for the charter schools may be obtained on the respective charter schools financial transparency web page.

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

Government-Wide and Fund Financial Statements

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentations

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

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

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

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

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

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

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

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

The District has no proprietary funds.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

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

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

Governmental Fund Types

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

General Fund

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

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

Designated-Purpose Grants Fund

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

Special Revenue Funds

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

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

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

The Pupil Activity Fund accounts for funds related to school sponsored organizations and activities.

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

Debt Service Fund

The Debt Service Fund, a major fund, is used to account for the accumulation of resources and payments of interest and principal on long-term debt.

Capital Projects Fund

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Data

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

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

Inventories

Purchased inventories of the General Fund and Food Service Fund are stated at cost using the first-in, first-out method of determining inventories on hand. Commodity inventories in the Food Service Fund are stated at their fair market value on the date received. Perpetual inventory records are maintained for instructional supplies, plumbing and electrical supplies, and food service inventories. Physical counts were made of all inventories as of June 30, 2020. Inventories were adjusted to reflect the amounts determined by physical count.

Investments

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

Capital Assets

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

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

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

Deferred Outflows/Inflows of Resources

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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

Accounts Payable and Encumbrances

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to June 30, 2020.

Encumbrances represent outstanding purchase orders for goods or services not yet delivered or provided as of June 30, 2020. Encumbrances are not recognized as liabilities or expenditures until the period in which the payable becomes fixed.

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

There were no outstanding encumbrances at June 30, 2020.

Property Taxes

The School District's ad valorem property tax is levied by each December 15 for all real and business personal property located in the District. The assessed value of the roll on January 1, 2020, upon which the levy for the 2020 fiscal year was based, was \$761,051,705.

The tax rates assessed for the year ended June 30, 2020 to finance general fund operations and the payment of principal and interest on general long-term debt were \$27.100 and \$12.963 per \$1,000 valuation, respectively, for a total of \$40.063 per \$1,000 valuation.

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

Compensated Absences

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

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

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

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

NOTE C - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures in Excess of Budget Amounts

During the year ended June 30, 2020, the following two funds incurred actual expenditures in excess of budgeted expenditures:

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
District 70 Foundation	\$ 35,000	\$ 82,630	\$ (47,630)
Swallows Charter School	\$ 5,809,261	\$ 5,867,438	\$ (58,177)

Risk Management

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

NOTE D - CASH DEPOSITS AND INVESTMENTS

Deposits

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

Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to the total uninsured deposits held by that institution. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pool. At June 30, 2020, the District had deposits over \$250,000 in the amount of \$27,852,400. These deposits are required to be collateralized under State Statutes.

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE D - CASH DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

<u>Cash and Deposits</u>	<u>Carrying Amount</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<u>Deposits</u>			
Cash	\$ 29,888,195	\$ 29,888,195	\$ -
Cash held by County Treasurer	479,701	479,701	-
<u>Investments</u>			
State investment pool (ColoTrust)	59,199	59,199	-
Certificates of deposit	22,100	22,100	-
Money market (ColoTrust Plus)	532,263	532,263	-
U.S. Government Securities	14,870,309	14,870,309	-
Total Deposits	<u><u>\$ 45,851,767</u></u>	<u><u>\$ 45,851,767</u></u>	<u><u>\$ -</u></u>
Governmental Activities	\$ 43,525,166		
Component Unit	2,326,601		
	<u><u>\$ 45,851,767</u></u>		

Investments

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

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

The District categorizes its fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

- Certificates of deposit are valued using a matrix pricing model (Level 2 inputs).
- U.S. Government Securities are valued on quoted market prices (Level 1 inputs).
- Investments in ColoTrust and ColoTrust-Plus are reported at fair value. However, this investment is not subject to the fair value hierarchy,

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE D - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Credit risk - The District does not have a policy that would further limit its choices beyond the requirements of Colorado statutes. As of June 30, 2020, the District's investment in ColoTrust and ColoTrust Plus was rated AAm by Standard and Poor's. The U.S. Government Securities are assigned the highest credit ratings by S&P and Moody.

NOTE E - CHANGES IN CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended June 30, 2020:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>
<u>Governmental Activities</u>				
Non-Depreciable Assets:				
Land	\$ 659,080	\$ -	\$ -	\$ 659,080
Construction in progress	416,994	-	356,994	60,000
Total Non-Depreciable Assets	<u>1,076,074</u>	<u>-</u>	<u>356,994</u>	<u>719,080</u>
Depreciable Assets:				
Bldg. and improvements	201,259,217	415,015	245,059	201,429,173
Furniture and fixtures	14,487,755	444,729	104,083	14,828,401
Automotive equipment	2,529,538	303,518	-	2,833,056
Total Depreciable Assets	<u>218,276,510</u>	<u>1,163,262</u>	<u>349,142</u>	<u>219,090,630</u>
Less Accumulated Depreciation for:				
Bldg. and improvements	66,427,262	6,150,692	181,043	72,396,911
Furniture and fixtures	10,988,902	1,111,794	104,083	11,996,613
Automotive equipment	1,355,176	195,225	-	1,550,401
Total Accumulated Depreciation	<u>78,771,340</u>	<u>7,457,711</u>	<u>285,126</u>	<u>85,943,925</u>
Total Capital Assets, Net	<u>\$ 140,581,244</u>	<u>\$ (6,294,449)</u>	<u>\$ 421,010</u>	<u>\$ 133,865,785</u>

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

Governmental activities:	
Direct instruction	\$ 1,243,070
Transportation	8,415
Custodial and maintenance	207,498
Other support services	5,998,728
Total Depreciation Expense - Governmental Activities	<u>\$ 7,457,711</u>

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

Salaries of certain contractually employed personnel are paid over a twelve month period, but are earned during the school year, a period of approximately nine months. The amounts representing accrued salaries are those earned through June 30, 2020, but not yet paid by the School District. Accrued P.E.R.A. represents the School District's 20.9% contribution on the accrued salaries. At June 30, 2020 accrued salaries and P.E.R.A. have been recognized as a liability in each of the affected funds.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE F - ACCRUED SALARIES AND P.E.R.A. (Continued)

The accrued salaries and P.E.R.A. by fund at June 30, 2020 were as follows:

General Fund	\$ 8,170,072
Governmental Designated-Purpose Grants Fund	353,127
Food Service Enterprise Fund	199,015
Pupil Athletic Fund	108,453
Component Unit - Charter Schools	470,536
Total Accrued Salaries and P.E.R.A.	<u>\$ 9,301,203</u>

NOTE G - DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions

Pueblo County School District No. 70 (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. § 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 the years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on the life expectancy and other actuarial factors.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE G - DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided as of December 31, 2019 (Continued)

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

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

As of December 31, 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 increases 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 will receive an annual increase of 1.25 percent, unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007 will receive the lesser of an annual increase of 1.25 percent or the average Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to .25 percent based on the parameters specified in C.R.S. § 24-51-413

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

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which the 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. § 24-51-401, *et seq* and § 24-51-413. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	<u>July 1, 2019 Through 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. § 24-51-208 (1)(f)	(1.02%)
Amount apportioned to SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total Employer Contribution Rate to the SCHDTF	19.38%

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE G - DEFINED BENEFIT PENSION PLAN (Continued)

Contributions Provisions as of June 30, 2020 (Continued)

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the SCHDTF's December 31, 2019 measurement date, 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.

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 \$9,222,843 for the year ended June 30, 2020.

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

The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The 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 June 30, 2020 the District reported a liability of \$118,241,565 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:

The District's proportionate share of the net pension liability	\$	118,241,565
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District		14,997,439
Total	\$	<u>133,239,004</u>

At December 31, 2019, the District's proportion was .7918274458%, which was an increase of .00071887% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020 the District recognized pension expense of (\$17,950,941) and revenue of (\$1,136,650) for support from the State as a nonemployer contributing entity. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2020

NOTE G - DEFINED BENEFIT PENSION PLAN (Continued)

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

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 6,594,021	\$ -
Changes of assumptions or other inputs	3,449,715	72,819,873
Net difference between projected and actual earnings on pension plan investments	12,877,956	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	36,142,978
Contributions subsequent to the measurement date	4,612,999	-
	<u>\$ 27,534,691</u>	<u>\$ 108,962,851</u>

\$4,612,999 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
2021	\$ (23,106,286)
2022	(31,196,598)
2023	(28,789,156)
2024	(2,949,119)
	<u>\$ (86,041,159)</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
Post-retirement benefit increases:	
PERA benefit structure hired before January 1, 2007	1.25 percent compounded annually
PERA benefit structure hired after December 31, 2006	
(ad hoc, substantively automatic) *	Financed by the Annual Increase Reserve

* For 2019 the annual increase was 0.00 percent

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE G -DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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 November 18, 2016 Board meeting.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE G -DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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

Discount Rate

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019 and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019 and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE G - DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate (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 rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the 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%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 156,813,632	\$ 118,241,565	\$ 85,856,954

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.

NOTE H - 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 found at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2020, program members contributed \$388,527 for the Voluntary Investment Program.

NOTE I - 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

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

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

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

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

PERA Benefit Structure

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

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

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 \$485,413 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$5,800,731 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The 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 .51744175 percent, which was an increase of .00321695 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of (\$66,789). At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 45,537	\$ 1,000,932
Changes of assumptions or other inputs	113,862	-
Net difference between projected and actual earnings on OPEB plan investments	221,030	195,353
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	242,789	-
Total	<u>\$ 623,218</u>	<u>\$ 1,196,285</u>

\$242,789 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2020

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

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

Year Ended	
2021	\$ (121,295)
2022	(121,295)
2023	(121,295)
2024	(121,293)
2025	(161,312)
2026	(169,366)
	<u>\$ (815,856)</u>

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 increase, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net 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 plan	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

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

The actuarial assumptions used in the December 31, 2018 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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

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

Actuarial Assumptions (Continued)

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

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

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

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

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2020

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

Actuarial Assumptions (Continued)

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

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

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

Actuarial Assumptions (Continued)

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

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

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:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability - Primary Government	\$ 5,662,938	\$ 5,800,731	\$ 5,959,962

Discount Rate

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

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

Discount Rate (Continued)

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

<u>Primary Government</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net OPEB liability	\$ 6,023,036	\$ 5,800,731	\$ 4,731,400

OPEB Plan Fiduciary Net Position

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

NOTE J - CAPITAL LEASES AND OTHER LONG-TERM OBLIGATIONS

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

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>	<u>Current Portion</u>
<u>Governmental Activities</u>					
Capital Leases:					
Vehicles and equipment	\$ 16,405,236	\$ 330,570	\$ 1,631,806	\$ 15,104,000	\$ 1,741,042
Quality Zone Academy Bonds	748,341	-	185,000	563,341	186,000
Build America Bonds	3,676,918	-	335,163	3,341,755	356,719
Certificates of Participation	6,715,000	-	365,000	6,350,000	370,000
Compensated absences	6,174,813	142,849	-	6,317,662	-
CDE Funding	41,961	-	41,961	-	-
Total Governmental Activities	\$ 33,762,269	\$ 473,419	\$ 2,558,930	\$ 31,676,758	\$ 2,653,761

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

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

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

Fiscal Year Ending	Capital Leases		Governmental Funds Quality Zone Academy		Build America Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,741,042	\$ 545,643	\$ 186,000	\$ 3,324	\$ 356,719	\$ 214,489
2022	1,677,897	486,929	188,000	2,226	379,665	191,544
2023	876,306	431,036	189,341	1,117	404,088	167,120
2024	893,294	396,573	-	-	430,086	141,122
2025	891,661	361,994	-	-	457,760	113,448
2026 - 30	4,683,594	1,303,545	-	-	1,173,568	271,635
2031 - 34	4,340,206	399,770	-	-	139,869	4,650
Total	\$ 15,104,000	\$ 3,925,490	\$ 563,341	\$ 6,667	\$ 3,341,755	\$ 1,104,008

Minimum annual lease payments (continued)

Fiscal Year Ending	COPS	
	Principal	Interest
2021	\$ 370,000	\$ 210,637
2022	380,000	201,850
2023	390,000	192,350
2024	400,000	182,112
2025	410,000	171,112
2026 - 30	2,275,000	639,953
2031 - 34	2,125,000	202,688
Total	\$ 6,350,000	\$ 1,800,702

NOTE K - GENERAL OBLIGATION BONDS

General obligation bonds payable and payments on the bonds for the fiscal year ended June 30, 2020 are comprised of the following:

\$17,095,000 2010 Series General Obligation Refunding Bonds, due in semi-annual installments with annual payments ranging from \$80,000 to \$2,040,000 through December 1, 2022. Interest rate 2.984%.	\$ 5,865,000
\$8,790,000 2011 Series General Obligation Refunding Bonds, due in semi-annual installments with annual payments ranging from \$1,100,000 to \$2,040,000 through December 2, 2021. Interest rates range from 2.0% to 4.0%.	1,100,000
\$59,545,000 2013 Series General Obligation Bonds, due in semi-annual installments with annual payments ranging from \$905,000 to \$5,800,000 through December 1, 2032. Interest rates range from 2.0% to 5%.	57,480,000
	<u>\$ 64,445,000</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE K - GENERAL OBLIGATION BONDS (Continued)

	<u>July 1, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2020</u>	<u>Current Portion</u>
General Obligation Bonds					
Refunding 2001	\$ 3,985,000	\$ -	\$ 3,985,000	\$ -	\$ -
Refunding 2010	7,640,000	-	1,775,000	5,865,000	1,865,000
Refunding 2011	1,100,000	-	-	1,100,000	1,100,000
Building 2013	57,480,000	-	-	57,480,000	1,995,000
Unamortized premiums	4,291,943	-	366,550	3,925,393	-
Totals	\$ 74,496,943	\$ -	\$ 6,126,550	\$ 68,370,393	\$ 4,960,000

Future years repayment schedule:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,960,000	\$ 2,486,681	\$ 7,446,681
2022	5,150,000	2,287,669	7,437,669
2023	5,360,000	2,072,469	7,432,469
2024	5,580,000	1,851,119	7,431,119
2025	5,800,000	1,623,519	7,423,519
2026 - 2030	23,570,000	5,178,194	28,748,194
2031 - 2033	14,025,000	821,046	14,846,046
Total	\$ 64,445,000	\$ 16,320,697	\$ 80,765,697

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

NOTE L - INTERFUND RECEIVABLES AND PAYABLES

A summary of the interfund receivables and payables at June 30, 2020 as reported in the balance sheet for government funds follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$ 152,423	\$ 1,754,321
Nonmajor Governmental Funds	80,353	80,123
Major Governmental Funds	-	152,423
Component Unit	1,754,091	-
Total All Funds	\$ 1,986,867	\$ 1,986,867

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2020

NOTE M - INTERFUND TRANSFERS

Transfers and allocations are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers during the fiscal year ending June 30, 2020 consisted of transfers and allocations to nonmajor governmental funds from the general fund in the amount of \$972,414.

NOTE N - FUND BALANCES

Government-wide and Proprietary Fund Net Assets:

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

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

Governmental Fund Balances

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE N - FUND BALANCES (Continued)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Designated Grants Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances					
Nonspendable					
Inventory	\$ 32,097	\$ -	\$ -	\$ 72,931	\$ 105,028
Restricted					
Tabor reserve	2,492,100	-	6,800	78,800	2,577,700
Preschool reserve	-	-	-	-	-
Grant restriction	-	-	50,937	-	50,937
Debt service	-	15,324,879	-	-	15,324,879
Total Restricted	<u>2,492,100</u>	<u>15,324,879</u>	<u>57,737</u>	<u>78,800</u>	<u>17,953,516</u>
Assigned					
Capital reserve	426,335	-	-	-	426,335
Insurance reserve	278,628	-	-	-	278,628
Food service	-	-	-	378,583	378,583
Designated Grants	-	-	485,949	-	485,949
Activity Fund	-	-	-	1,267,602	1,267,602
Athletic fund	-	-	-	2,745	2,745
Foundation	-	-	-	32,511	32,511
Total Assigned	<u>704,963</u>	<u>-</u>	<u>485,949</u>	<u>1,681,441</u>	<u>2,872,353</u>
Unassigned					
General Government	<u>8,916,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,916,097</u>
Total Fund Balances	<u>\$ 12,145,257</u>	<u>\$ 15,324,879</u>	<u>\$ 543,686</u>	<u>\$ 1,833,172</u>	<u>\$ 29,846,994</u>

NOTE O - JOINT VENTURE

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

NOTE P - COMMITMENTS AND CONTINGENCIES

Tax, Revenue, Spending and Debt Limitation

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

NOTE P - COMMITMENTS AND CONTINGENCIES (Continued)

Tax, Revenue, Spending and Debt Limitation (Continued)

In addition to the tax raising, revenue, spending and debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies establish an "emergency reserve". To be used for declared emergencies only, each entity must reserve 3% or more of its fiscal year spending excluding bonded debt service. For the year ended June 30, 2020, the School District's reserve requirement was approximately \$2,577,700 which represents 3% of fiscal year spending. The District has recognized the emergency reserve in the Insurance Reserve Fund, the Preschool Fund, the Capital Reserve Fund, the Designated Grants Fund, the Food Service Fund, the Athletic Fund and the Activities Fund.

Federal and State Grants

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

Economic Dependency

Funding provided by the State to all public school systems in Colorado is primarily based upon the October 1 student count. The State provided \$60,317,631, which represents approximately 58% of the District's total governmental fund revenues for the year.

Arbitrage Liability

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

NOTE Q - PRIOR PERIOD ADJUSTMENT

The activity of the Student Activity Fund had been reported as a fiduciary fund in previous years. Effective for the year ended June 30, 2020 the District adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*,. As a result, governmental net position and total fund balance of governmental funds at June 30, 2019 were restated to reflect the cumulative effect of adopting this standard.

	Governmental Activities	Governmental Funds
June 30, 2019 (as originally stated)	\$ (167,470,088)	\$ 24,698,578
Adoption of new standard	<u>1,149,539</u>	<u>1,149,539</u>
Net position at June 30,2019 (restated)	<u><u>\$ (166,320,549)</u></u>	<u><u>\$ 25,848,117</u></u>

NOTE R - SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As a result, economic uncertainties have arisen which are likely to negatively impact operations or carrying value of assets. Other financial implications may result, and such potential impact is unknown at this time.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local property tax	\$ 19,450,429	\$ 20,278,335	\$ 20,451,926	\$ 173,591
Specific ownership tax	1,901,542	1,931,725	2,757,433	825,708
State sources	62,335,587	66,382,029	66,565,139	183,110
Federal sources	1,586,000	1,586,000	1,802,724	216,724
Other sources	740,326	1,067,636	1,327,888	260,252
Fund allocations	(8,554,149)	(8,686,694)	(9,157,200)	(470,506)
Total Revenues	<u>77,459,735</u>	<u>82,559,031</u>	<u>83,747,910</u>	<u>1,188,879</u>
Expenditures				
Direct instruction	43,440,129	46,953,077	45,394,538	1,558,539
Indirect instruction	16,291,005	16,803,101	16,602,234	200,867
Transportation	2,812,015	2,812,015	2,925,092	(113,077)
Custodial and maintenance	5,310,562	5,676,396	5,767,443	(91,047)
Other support services	4,361,064	4,693,346	4,531,751	161,595
General administration	638,735	659,605	725,416	(65,811)
Capital outlay	887,900	1,543,730	670,925	872,805
Debt service:				
Principal retirement	2,547,048	2,614,764	2,558,929	55,835
Interest and fiscal charges	1,176,413	1,179,270	1,171,188	8,082
Contingency	<u>7,575,482</u>	<u>7,276,453</u>	<u>-</u>	<u>7,276,453</u>
Total Expenditures	<u>85,040,353</u>	<u>90,211,757</u>	<u>80,347,516</u>	<u>9,864,241</u>
Excess of Revenues Over (Under) Expenditures	<u>(7,580,618)</u>	<u>(7,652,726)</u>	<u>3,400,394</u>	<u>11,053,120</u>
Other Financing Sources (Uses)				
Transfers to other funds	(1,410,000)	(1,410,000)	(972,414)	437,586
Transfers from other funds	-	-	-	-
Proceeds from capital lease	<u>-</u>	<u>172,662</u>	<u>330,569</u>	<u>157,907</u>
Total Other Financing Sources (Uses)	<u>(1,410,000)</u>	<u>(1,237,338)</u>	<u>(641,845)</u>	<u>595,493</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(8,990,618)</u>	<u>(8,890,064)</u>	<u>2,758,549</u>	<u>11,648,613</u>
Fund Balances - July 1	<u>8,990,618</u>	<u>8,890,064</u>	<u>9,386,708</u>	<u>21,600,361</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,145,257</u>	<u>\$ 33,248,974</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

	<u>Budgeted Amount</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Federal sources	\$ 4,118,036	\$ 4,118,036	\$ 4,254,613	\$ 136,577
State sources	37,500	47,100	175,498	128,398
Other sources	939,344	1,116,844	216,994	(899,850)
Total Revenues	<u>5,094,880</u>	<u>5,281,980</u>	<u>4,647,105</u>	<u>(634,875)</u>
Expenditures				
Direct instruction	3,722,923	3,476,105	3,346,416	129,689
Indirect instruction	1,212,337	1,663,519	1,135,685	527,834
Custodial and maintenance	-	2,686	6,792	(4,106)
Other support services	48,283	54,338	60,417	(6,079)
General administration	59,337	85,332	64,316	21,016
Capital outlay	-	-	36,270	(36,270)
Contingency	52,000	-	-	-
Total Expenditures	<u>5,094,880</u>	<u>5,281,980</u>	<u>4,649,896</u>	<u>632,084</u>
Excess of Revenues Over				
(Under) Expenditures	-	-	(2,791)	(2,791)
Fund Balances - July 1	-	-	546,477	546,477
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 543,686</u>	<u>\$ 543,686</u>

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE -
SCHOOL DIVISION TRUST FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Primary Government							
School's proportion (percentage) of the net pension liability	0.79182744580%	0.79110857540%	0.90530820530%	0.85941073360%	0.84404636939%	0.8709059842%	0.8762041253%
School's proportionate share of the net pension liability	\$ 118,241,565	\$ 140,043,850	\$ 292,709,997	\$ 255,845,307	\$ 129,059,082	\$ 118,019,596	\$ 111,759,600
School's covered payroll	\$ 46,547,737	\$ 43,481,809	\$ 42,055,165	\$ 40,257,198	\$ 37,389,300	\$ 36,719,056	\$ 36,636,231
School's proportionate share of the net pension liability as a percentage of covered payroll	254.02%	322.07%	696.01%	635.53%	345.18%	321.41%	305.05%
Plan fiduciary net position as a percentage of the total pension liability	64.52%	57.01%	43.96%	43.10%	59.20%	62.80%	64.06%

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

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

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - SCHOOL DIVISION TRUST FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Primary Government							
Statutorily required contributions	\$ 9,222,844	\$ 8,630,680	\$ 7,940,512	\$ 7,402,323	\$ 6,632,003	\$ 6,142,030	\$ 5,785,691
Contributions in relation to the statutorily required contributions	9,222,844	8,630,680	7,940,512	7,402,323	6,632,003	6,142,030	5,785,691
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 47,589,491	\$ 45,115,943	\$ 42,055,165	\$ 40,257,198	\$ 37,389,300	\$ 36,719,056	\$ 36,636,231
Contribution as a percentage of covered payroll	19.38%	19.13%	18.88%	18.39%	17.73%	16.73%	15.79%

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

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

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE -
HEALTH CARE TRUST FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Primary Government				
School's proportion (percentage) of the net pension liability	0.5174%	0.5142%	0.5144%	0.4885%
School's proportionate share of the net pension liability	\$ 5,800,731	\$ 6,921,161	\$ 6,687,047	\$ 6,333,560
School's covered payroll	\$ 46,547,737	\$ 43,481,809	\$ 4,176,063	\$ 38,571,889
School's proportionate share of the net pension liability as a percentage of covered payroll	12.46%	15.92%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total pension liability	24.49%	17.03%	17.53%	16.72%

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

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

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - HEALTH CARE TRUST FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Primary Government				
Statutorily required contributions	\$ 485,412	\$ 460,182	\$ 428,963	\$ 410,623
Contributions in relation to the statutorily required contributions	<u>485,412</u>	<u>460,182</u>	<u>428,963</u>	<u>410,623</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 47,589,491	\$ 45,115,943	\$ 42,055,165	\$ 40,257,199
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

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

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

COMBINING FUND STATEMENTS

NON MAJOR FUNDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

	Food Service Fund	Pupil Athletic Fund	Pupil Activity Fund	The School District 70 Education Foundation	Totals
<u>Assets</u>					
Cash in bank and on hand	\$ 616,699	\$ 76,401	\$ 1,372,393	\$ 32,511	\$ 2,098,004
Accounts receivable	9,222	-	-	-	9,222
Due from other funds	-	80,123	230	-	80,353
Accrued federal revenue	94,623	-	-	-	94,623
Inventories	72,931	-	-	-	72,931
Total Assets	793,475	156,524	1,372,623	32,511	2,355,133
<u>Liabilities</u>					
Accounts payable	210	3,226	24,698	-	28,134
Accrued salaries and P.E.R.A.	199,015	108,453	-	-	307,468
Due to other funds	-	-	80,123	-	80,123
Unearned revenue	106,236	-	-	-	106,236
Total Liabilities	305,461	111,679	104,821	-	521,961
<u>Fund Balance</u>					
Nonspendable	72,931	-	-	-	72,931
Restricted	36,500	42,100	200	-	78,800
Assigned	378,583	2,745	1,267,602	32,511	1,681,441
Total Fund Balances	\$ 488,014	\$ 44,845	\$ 1,267,802	\$ 32,511	\$ 1,833,172

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	Food Service Fund	Pupil Athletic Fund	Pupil Activity Fund	The School District 70 Education Foundation	Totals
Revenues					
State sources	\$ 74,104	\$ -	\$ -	\$ -	\$ 74,104
Federal sources	2,439,854	-	-	-	2,439,854
Other sources	1,223,490	407,781	1,742,193	99,429	3,472,893
Fund allocations	-	-	-	-	-
Total Revenues	<u>3,737,448</u>	<u>407,781</u>	<u>1,742,193</u>	<u>99,429</u>	<u>5,986,851</u>
Expenditures					
Direct instruction	-	1,389,168	1,601,973	-	2,991,141
Indirect instruction	231	-	-	-	231
Transportation	-	147,122	-	-	147,122
Custodial and maintenance	8,107	-	-	-	8,107
Other support services	3,814,442	42	-	82,630	3,897,114
Capital outlay	83,098	6,000	21,957	-	111,055
Total Expenditures	<u>3,905,878</u>	<u>1,542,332</u>	<u>1,623,930</u>	<u>82,630</u>	<u>7,154,770</u>
Excess of Revenues Over (Under) Expenditures	<u>(168,430)</u>	<u>(1,134,551)</u>	<u>118,263</u>	<u>16,799</u>	<u>(1,167,919)</u>
Other Financing Sources (Uses)					
Transfer to other funds	-	-	-	-	-
Transfers from other funds	-	972,414	-	-	972,414
Total Other Financing Sources (Uses)	<u>-</u>	<u>972,414</u>	<u>-</u>	<u>-</u>	<u>972,414</u>
Net Change in Fund Balance	(168,430)	(162,137)	118,263	16,799	(195,505)
Fund Balances - July 1 (Restated)	<u>656,444</u>	<u>206,982</u>	<u>1,149,539</u>	<u>15,712</u>	<u>2,028,677</u>
Fund Balances - June 30	<u>\$ 488,014</u>	<u>\$ 44,845</u>	<u>\$ 1,267,802</u>	<u>\$ 32,511</u>	<u>\$ 1,833,172</u>

**OTHER SUPPLEMENTARY
INFORMATION**

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other sources	\$ 467,208	\$ 517,208	\$ 407,781	\$ (109,427)
Expenditures				
Direct instruction	1,685,858	1,735,858	1,389,168	346,690
Transportation	181,150	181,150	147,122	34,028
Other support services	200	200	42	158
Capital outlay	-	-	6,000	(6,000)
Total Expenditures	<u>1,867,208</u>	<u>1,917,208</u>	<u>1,542,332</u>	<u>374,876</u>
Excess of Revenues Over (Under) Expenditures	(1,400,000)	(1,400,000)	(1,134,551)	265,449
Other Financing Sources (Uses)				
Transfers from other funds	<u>1,400,000</u>	<u>1,400,000</u>	<u>972,414</u>	<u>(427,586)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	(162,137)	(162,137)
Fund Balances - July 1	-	-	<u>206,982</u>	<u>99,290</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,845</u>	<u>\$ (62,847)</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

PUPIL ACTIVITY FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other sources	\$ 3,737,937	\$ 3,737,937	\$ 1,742,193	\$ (1,995,744)
Expenditures				
Direct instruction	3,737,937	3,737,937	1,601,973	2,135,964
Capital outlay	-	-	21,957	(21,957)
Total Expenditures	<u>3,737,937</u>	<u>3,737,937</u>	<u>1,623,930</u>	<u>2,114,007</u>
Excess of Revenues Over (Under) Expenditures	-	-	118,263	118,263
Fund Balances - July 1	-	-	1,149,539	99,290
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,267,802</u>	<u>\$ 217,553</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

DEBT SERVICE FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	<u>Budgeted Amount</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Taxes	\$ 9,213,853	\$ 9,213,853	\$ 9,782,998	\$ 569,145
Other sources	150,000	150,000	144,705	(5,295)
Total Revenues	<u>9,363,853</u>	<u>9,363,853</u>	<u>9,927,703</u>	<u>563,850</u>
Expenditures				
Debt service:				
Principal retirement	5,760,000	5,760,000	5,760,000	-
Interest and fiscal charges	2,734,244	2,734,244	2,729,079	5,165
Contingency	869,609	869,609	-	869,609
Total Expenditures	<u>9,363,853</u>	<u>9,363,853</u>	<u>8,489,079</u>	<u>874,774</u>
Excess of Revenues Over (Under) Expenditures	-	-	1,438,624	1,438,624
Fund Balances - July 1	-	-	13,886,255	13,886,255
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,324,879</u>	<u>\$ 15,324,879</u>

STATEMENT OF REVENUES EXPENSES AND CHANGE IN NET ASSETS

BUDGET AND ACTUAL (BUDGET BASIS)

FOOD SERVICE FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal sources	\$ 2,651,000	\$ 2,651,000	\$ 2,439,854	\$ (211,146)
State sources	88,600	88,600	74,104	(14,496)
Local sources	<u>1,613,205</u>	<u>1,613,205</u>	<u>1,223,490</u>	<u>(389,715)</u>
Total Revenues	<u>4,352,805</u>	<u>4,352,805</u>	<u>3,737,448</u>	<u>(615,357)</u>
Expenditures				
Indirect instructional	-	81	231	(150)
Custodial and maintenance	59,742	59,742	8,107	51,635
Other support services	4,155,063	4,154,982	3,814,442	340,540
Capital outlay	<u>138,000</u>	<u>138,000</u>	<u>83,098</u>	<u>54,902</u>
Total Expenditures	<u>4,352,805</u>	<u>4,352,805</u>	<u>3,905,878</u>	<u>446,927</u>
Excess of Revenues Over (Under) Expenditures	-	-	(168,430)	(168,430)
Fund Balances - July 1 (Restated)	-	-	656,444	656,444
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,014</u>	<u>\$ 488,014</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

EDUCATION FOUNDATION

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	<u>Budgeted Amount</u>			<u>Variance With</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State sources	\$ -	\$ -	\$ -	\$ -
Other sources	<u>25,000</u>	<u>35,000</u>	<u>99,429</u>	<u>64,429</u>
Total Revenues	<u>25,000</u>	<u>35,000</u>	<u>99,429</u>	<u>64,429</u>
Expenditures				
Other support services	25,000	35,000	82,630	(47,630)
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>25,000</u>	<u>35,000</u>	<u>82,630</u>	<u>(47,630)</u>
Excess of Revenues Over (Under) Expenditures	-	-	16,799	16,799
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>15,712</u>	<u>15,712</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,511</u>	<u>\$ 32,511</u>

COMBINING BALANCE SHEET
COMPONENT UNIT - CHARTER SCHOOLS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

	Villa Bella <u>Expeditionary</u>	Connect School	Swallows Charter <u>Academy</u>	Total Charter Schools
<u>Assets</u>				
Cash in bank and on hand	\$ 55,097	\$ 272,240	\$ 1,787,272	\$ 2,114,609
Restricted cash	-	-	211,992	211,992
Due from the District	206,052	1,444,616	103,523	1,754,191
Assets held in the general fund	(27,396)	314,742	-	287,346
Accrued federal revenue	13,301	-	-	13,301
Prepaid expenses	-	-	31,385	31,385
Deposit	-	-	-	-
Total Assets	<u>247,054</u>	<u>2,031,598</u>	<u>2,134,172</u>	<u>4,412,824</u>
<u>Liabilities and Fund Balances</u>				
Accounts payable	3,237	5,090	14,956	23,283
Accrued salaries and P.E.R.A.	106,758	175,761	188,017	470,536
Unearned revenue	<u>100,388</u>	<u>125,981</u>	<u>361,190</u>	<u>587,559</u>
Total Liabilities	<u>210,383</u>	<u>306,832</u>	<u>564,163</u>	<u>1,081,378</u>
<u>Fund Balances</u>				
Nonspendable	-	-	31,385	31,385
Restricted - Tabor Reserve	40,900	70,400	159,425	270,725
Restricted - Debt Service	-	-	211,992	211,992
Assigned - Charter School Operations	<u>(4,229)</u>	<u>1,654,366</u>	<u>1,167,207</u>	<u>2,817,344</u>
Total Fund Balances	<u>\$ 36,671</u>	<u>\$ 1,724,766</u>	<u>\$ 1,570,009</u>	<u>\$ 3,331,446</u>

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
COMPONENT UNIT - CHARTER SCHOOLS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2020

	<u>Villa Bella Expeditionary</u>	<u>Connect School</u>	<u>Swallows Charter Academy</u>	<u>Total Charter Schools</u>
Total Fund Balances - Governmental Fund	\$ 36,671	\$ 1,724,766	\$ 1,570,009	\$ 3,331,446
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in governmental funds.	68,180	2,205,508	4,327,261	6,600,949
Interest payable on bond payable is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government wide statements since the liability is to be paid in the near term.	-	-	(22,871)	(22,871)
Long term liability for the note payable, bond payable and capital lease is not due and payable in the current period and, therefore, is not reported in the governmental funds.	-	(1,225,532)	(3,575,629)	(4,801,161)
Long term liability for compensated absences are not due and payable in the current period and, therefore, are not reported in the government funds.	(30,099)	(109,551)	-	(139,650)
Deferred outflows related to pension assumptions are not recorded and included in the governmental funds.	1,168,058	428,389	1,295,983	2,892,430
Deferred outflows related to OPEB assumptions are not recorded and included in the governmental funds.	4,085	12,372	51,202	67,659
Pension contributions subsequent to plan measurement date are not included in the long term liability and are deferred.	(430,692)	(2,713,092)	(3,976,938)	(7,120,722)
OPEB contributions subsequent to plan measurement date are not included in the long term liability and are deferred.	(6,795)	(27,099)	(55,651)	(89,545)
The long-term liabilities for pension are not due and payable in the current period, and therefore, are not reported in the governmental funds.	(752,780)	(2,653,784)	(6,131,905)	(9,538,469)
The long-term liabilities for OPEB are not due and payable in the current period, and therefore, are not reported in the governmental funds.	<u>(37,454)</u>	<u>(140,973)</u>	<u>(301,263)</u>	<u>(479,690)</u>
Total Net Position - Government Activities	\$ 19,174	\$ (2,498,996)	\$ (6,819,802)	\$ (9,299,624)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

COMPONENT UNIT - CHARTER SCHOOLS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	<u>Villa Bella Expeditionary</u>	<u>Connect School</u>	<u>Swallows Charter Academy</u>	<u>Total Charter Schools</u>
Revenues				
Other sources	\$ 23,305	\$ 128	\$ 6,016,472	\$ 6,039,905
State sources	75,926	103,352	320,689	499,967
Federal sources	229,250	18,391	-	247,641
Fund allocations	1,562,738	2,247,443	-	3,810,181
Total Revenues	1,891,219	2,369,314	6,337,161	10,597,694
Expenditures				
Direct instruction	973,178	1,362,293	2,975,344	5,310,815
Indirect instruction	360,007	437,858	-	797,865
Transportation	102	-	-	102
Custodial and maintenance	373,521	137,857	-	511,378
Other support services	62,732	84,737	2,839,962	2,987,431
General administration	20,213	29,069	-	49,282
Capital outlay	51,884	-	-	51,884
Debt Service				
Principal retirement	-	106,195	101,622	207,817
Interest	-	73,805	184,818	258,623
Total Expenditures	1,841,637	2,231,814	6,101,746	10,175,197
Excess of Revenues Over (Under) Expenditures	49,582	137,500	235,415	422,497
Other Financing Sources				
Proceeds from capital lease	-	-	207,251	207,251
Net Change in Fund Balance	49,582	137,500	442,666	629,748
Fund Balances - July 1 (Restated-Swallows)	(12,911)	1,587,266	1,127,343	2,701,698
Fund Balances - June 30	\$ 36,671	\$ 1,724,766	\$ 1,570,009	\$ 3,331,446

RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

TO THE STATEMENT OF NET ACTIVITIES

COMPONENT UNIT - CHARTER SCHOOLS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2020

	<u>Villa Bella Expeditionary</u>	<u>Connect School</u>	<u>Swallows Charter Academy</u>	<u>Total Charter Schools</u>
Total Change in Fund Balances - General Fund	\$ 49,582	\$ 137,500	\$ 442,666	\$ 629,748
Governmental funds report capital outlay as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amounts by which capital outlay (\$51,884), (\$0) and (\$530,003), respectively, exceeds or is (less than) depreciation expense, (\$7,385), (\$47,634), (\$233,791) respectively,	44,499	(47,634)	296,212	293,077
Expenditures for services which benefit a future period are reported as prepaid expenses and included in current assets in the government wide statement of net position. In the governmental fund financial statements they are treated as expenditures when paid.	-	(20,000)	-	(20,000)
In the government-wide statements, basis in capital assets that have been sold reduces income. In governmental funds, the basis is not recognized.	-	-	(629,449)	
Retirements of principal outstanding on debt result in a reduction of accumulated resources on the fund financial statements. The government wide statements show these reductions against the long-term liability.	-	106,195	101,622	207,817
Interest payable on bonds is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements, and the change in the liability is recognized.	-	-	(11,435)	
Some capital assets acquired this year were financed with a note payable. These amounts are reported in the governmental funds as a source of financing. On the other hand, these financing sources are not revenues in the statement of activities, but rather constitute a long-term liability in the statement of net position.	-	-	(207,251)	(207,251)
In the government-wide statements accrued compensated absences are measured by the amount earned and unused. In the governmental funds, the expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts paid). Therefore, the change in the accrued compensated absences is recognized.	(30,099)	(36,544)	-	(66,643)
Net pension and OPEB related items are reported in the statement of activity and do not require the use of current financial sources, and therefore are not reported in the governmental funds.	(55,578)	452,137	682,997	1,079,556
Total Net Position - Government Activities	<u>\$ 8,404</u>	<u>\$ 591,654</u>	<u>\$ 675,362</u>	<u>\$ 1,916,304</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

VILLA BELLA EXPEDITIONARY

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State sources	\$ 51,260	\$ 69,722	\$ 75,926	\$ 6,204
Federal sources	229,250	344,250	229,250	(115,000)
Other sources	-	18,312	23,305	4,993
Fund allocations	<u>1,561,421</u>	<u>1,484,608</u>	<u>1,562,738</u>	<u>78,130</u>
Total Revenues	<u>1,841,931</u>	<u>1,916,892</u>	<u>1,891,219</u>	<u>(25,673)</u>
Expenditures				
Direct instruction	778,982	950,555	973,178	(22,623)
Indirect instruction	384,026	322,655	360,007	(37,352)
Transportation	-	-	102	(102)
Custodial and maintenance	429,624	369,250	373,521	(4,271)
Other support services	67,183	64,376	62,732	1,644
General administration	-	-	20,213	(20,213)
Capital outlay	177,404	177,404	51,884	125,520
Contingency	<u>122</u>	<u>49,166</u>	<u>-</u>	<u>49,166</u>
Total Expenditures	<u>1,837,341</u>	<u>1,933,406</u>	<u>1,841,637</u>	<u>91,769</u>
Excess of Revenues Over (Under) Expenditures	4,590	(16,514)	49,582	66,096
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>(12,911)</u>	<u>(12,911)</u>
Fund Balances - June 30	<u>\$ 4,590</u>	<u>\$ (16,514)</u>	<u>\$ 36,671</u>	<u>\$ 53,185</u>

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State sources	\$ 70,483	\$ 96,508	\$ 103,352	\$ 6,844
Federal sources	-	-	18,391	18,391
Other sources	50	50	128	
Fund allocations	<u>2,102,297</u>	<u>2,135,080</u>	<u>2,247,443</u>	<u>112,363</u>
Total Revenues	<u>2,172,830</u>	<u>2,231,638</u>	<u>2,369,314</u>	<u>137,598</u>
Expenditures				
Direct instruction	1,266,340	1,407,187	1,362,293	44,894
Indirect instruction	542,650	570,376	437,858	132,518
Custodial and maintenance	63,051	78,407	137,857	(59,450)
Other support services	45,998	64,899	84,737	(19,838)
General administration	-	-	29,069	(29,069)
Capital outlay	80,000	80,000	-	80,000
Debt Service				
Principal retirement	75,577	106,195	106,195	-
Interest	38,160	73,805	73,805	-
Contingency	<u>1,965,754</u>	<u>1,756,556</u>	<u>-</u>	<u>1,756,556</u>
Total Expenditures	<u>4,077,530</u>	<u>4,137,425</u>	<u>2,231,814</u>	<u>1,905,611</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,904,700)</u>	<u>(1,905,787)</u>	<u>137,500</u>	<u>2,043,287</u>
Fund Balances - July 1 - restated	<u>1,913,995</u>	<u>1,905,787</u>	<u>1,587,266</u>	<u>(318,521)</u>
Fund Balances - June 30	<u>\$ 9,295</u>	<u>\$ -</u>	<u>\$ 1,724,766</u>	<u>\$ 1,724,766</u>

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	<u>Budgeted Amount</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Other sources	\$ 78,000	\$ 78,000	\$ 156,845	\$ 78,845
State sources	170,000	208,106	320,689	112,583
Fund allocations	<u>5,412,800</u>	<u>5,544,140</u>	<u>5,622,662</u>	<u>78,522</u>
Total Revenues	<u>5,660,800</u>	<u>5,830,246</u>	<u>6,100,196</u>	<u>269,950</u>
Expenditures				
Direct instruction	2,984,255	3,152,382	2,975,344	177,038
Other support services	2,531,437	2,656,879	2,839,962	(183,083)
Debt Service				
Principal retirement	-	-	51,622	(51,622)
Interest	<u>-</u>	<u>-</u>	<u>510</u>	<u>(510)</u>
Total Expenditures	<u>5,515,692</u>	<u>5,809,261</u>	<u>5,867,438</u>	<u>(58,177)</u>
Excess of Revenues Over (Under) Expenditures	145,108	20,985	232,758	211,773
Other Financing Sources				
Proceeds from capital lease	<u>-</u>	<u>-</u>	<u>207,251</u>	<u>207,251</u>
Net Change in Fund Balance	145,108	20,985	440,009	419,024
Fund Balances - July 1	<u>2,096,919</u>	<u>2,096,919</u>	<u>918,008</u>	<u>(1,178,911)</u>
Fund Balances - June 30	<u>\$ 2,242,027</u>	<u>\$ 2,117,904</u>	<u>\$ 1,358,017</u>	<u>\$ (759,887)</u>

NOTE: Budget amounts are for the General Fund only.

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2020

	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Passed Through Colorado Department of Education			
Special Education - Grants to States	84.027	4027, 5027, 9027	\$ 1,508,368
Special Education - Preschool Grant	84.173	4173	18,701
Total Special Education Cluster			<u>1,527,069</u>
 Title I - Grants to Local Educational Agencies	84.010	4010	855,692
Migrant Education - State Grant Program	84.011	4011	542,663
Career and Technical Education - Basic Grants to States	84.048	4048	57,439
English Language Acquisition Grants	84.365	4365	11,619
Improving Teacher Quality State Grants	84.367	4367	196,902
Colorado Charter Schools - Program & Grant	84.282A	5282	229,250
Student Support and Academic Enrichment Program	84.424	4424	<u>73,134</u>
Total U.S. Department of Education			<u>3,493,768</u>
 <u>U.S. Department of Agriculture</u>			
Passed Through Colorado Department of Education			
School Breakfast Program	10.553	4553	499,030
National School Lunch Program	10.555	4555	1,694,324
Summer Food Service Program for Children	10.559	4559	<u>10,658</u>
Total Passed Through Colorado Department of Education			<u>2,204,012</u>
 Passed Through Colorado Department of Human Services			
School Breakfast Program-Commodities	10.553	4553	28,301
National School Lunch Program-Commodities	10.555	4555	<u>207,541</u>
Total Passed Through Colorado Department of Human Services			<u>235,842</u>
Total U.S. Department of Agriculture / Child Nutrition Cluster			<u>2,439,854</u>
 <u>U.S. Department of the Treasury</u>			
Passed Through Colorado Department of Education			
Coronavirus Relief Fund (COVID-19)	21.019	4012	<u>232,436</u>
Total U.S. Department of the Treasury			<u>232,436</u>
 <u>U.S. Department of Defense</u>			
Direct Program - Department of the Army			
Reserve Officer Training Corps (ROTC salary reimbursement)	12.Unknown	9001	<u>131,194</u>
Total Other Federal Assistance			<u>131,194</u>
Total Federal Assistance			<u>\$ 6,297,252</u>

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Pueblo County School District No. 70 under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COSTS

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

NOTE D - RISK BASED AUDIT APPROACH

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

NOTE E - FOOD DISTRIBUTION

Commodities donated to the District by the U.S. Department of Agriculture (USDA) of \$235,842 are valued based on the USDA's Donated Commodity Price List.

NOTE F - AMOUNTS AWARDED TO SUB-RECIPIENTS

Included in the total amount expended for the Migrant Education Grant (CFDA #84.011) is \$1,672 that was passed through to two sub-recipients that administered the program in their own Districts.

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

JAMES E. GARREN, CPA
MEL J. ROSS, CPA
SAM J. DeNARDO, CPA

SUITE 200
3673 PARKER BOULEVARD
PUEBLO, COLORADO 81008
719 / 544-9872
FAX 719 / 253-5417
www.grdcpa.com

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

Independent Auditor's Report

January 26, 2021

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County School District No. 70 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 26, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 through 2020-007 that we consider to be significant deficiencies.

Compliance and Other Matters

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

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

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

Purpose of this Report

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

Garrett, Rott & DeHardo, LLC

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

JAMES E. GARREN, CPA
MEL J. ROSS, CPA
SAM J. DeNARDO, CPA

SUITE 200
3673 PARKER BOULEVARD
PUEBLO, COLORADO 81008
719 / 544-9872
FAX 719 / 253-5417
www.grdcpa.com

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

Independent Auditor's Report

January 26, 2021

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

Report on Compliance for Each Major Federal Program

We have audited Pueblo County School District No. 70's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-006 and 2020-007, that we consider to be significant deficiencies

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

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

Darren Ross & DeNardo, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

SECTION I - SUMMARY OF AUDIT RESULTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____yes x no

x yes _____no

Noncompliance material to financial statements noted?

_____yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____yes x no

x yes _____no

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

Unmodified

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

x yes _____no

The programs tested as major programs were:

CFDA Number(s)

84.010
21.019
10.553
10.555
10.559

Name of Federal Program or Cluster

Title I - Grants to Local Educational Agencies
Coronavirus Relief Fund
School Breakfast Program
National School Lunch Program
Summer Food Service Program for Children

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

\$ 750,000

Auditee qualified as low-risk auditee?

x yes _____no

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

2020-001 Tracking Grant Reimbursement Requests to Receipt
(Repeat Finding 2019-001)

Condition and Context:

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

Criteria:

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

Cause:

Procedures were not followed and discrepancies were not identified timely.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2020-001 Tracking Grant Reimbursement Requests to Receipt (Continued)

Effect:

If receipts are not reviewed or tracked to ensure they agree with reimbursement requests it's possible discrepancies will not be identified.

Recommendation:

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

Response:

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

2020-002 Recognizing Receivables and Deferred Revenue for Meals in the Food Service Fund
(Repeat Finding - 2019-002)

Condition and Context:

The receivables and deferred revenue for meals in the Food Service Fund were not recorded on the general ledger of the Food Service Fund in 2019. The change in these accounts were not recognized on the general ledger for 6-30-2020 until the end of the year.

Criteria:

Software utilized specifically for the Food Service Fund tracks balances in student and employee of the District accounts daily. This information was communicated to the Finance Department for recognition in the general ledger.

Cause:

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

Effect:

An overstatement of net position at June 30, 2019 resulted in a prior period adjustment for the omission of the receivables and deferred revenue for meals from the general ledger. During the current year, the change in these accounts were not reflected on the general ledger which overstated revenue.

Recommendation:

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

Response:

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

2020-003 Accounting Functions of the School District 70 Education Foundation
(Repeat Finding - 2019-003)

Condition and Context:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2020-003 Accounting Functions of the School District 70 Education Foundation (Continued)

Criteria:

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

Cause:

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

Effect:

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

Recommendation:

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

Response:

The School District will follow up with the Foundation to ensure the transactions are recorded on a timely basis and supporting documentation is appropriate.

2020-004 Formalizing Process to Produce Monthly Financial Statements
(Repeat Finding 2019-005)

Condition and Context:

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

Criteria:

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

Cause:

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

Effect:

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

Recommendation:

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

Response:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2020-005 P Card Policy Violation
(Repeat Finding 2019-006)

Condition and Context:

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

Criteria:

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

Cause:

Policy is not being followed for all P Card purchases.

Effect:

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

Recommendation:

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

Response:

The School District will review policy with all necessary employees.

2020-006 Coding of Grant Revenues and Expenditures
(Repeat Finding 2019-007)

Condition and Context:

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

Criteria:

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

Cause:

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

Effect:

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

Recommendation:

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

Response:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2020-007 Reimbursement claim forms/reports

(Repeat finding 2019-009)

Condition and Context:

Reimbursement claim forms/reports submitted to CDE or other granting/oversight agencies should be reconciled to the detailed transactions recorded in the general ledger prior to submitting such forms. Grant administrators should verify their records and any variances should be investigated and corrected on a timely basis. Further, supporting documentation must be received from pass-through entities to properly support their expenditures. This is required to adequately monitor sub-recipients activities where the program expenditures are sometimes made.

Criteria:

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

Cause:

The control in place were not followed at times and the underlying expenditures requested for reimbursement were not reconciled with the general ledger.

Effect:

The reimbursement claims could be incorrect if controls that are in place are not followed.

Recommendation:

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

Response:

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

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

None

SECTION IV - PRIOR YEAR FINDINGS

2019-010 Tracking Grant Reimbursement Requests to Receipt

Condition and Context:

The District submitted grant reimbursement requests and the corresponding payments were not received or accurate. The discrepancies or non payment should have prompted an inquiry with the granting agency. Because of the failure to follow procedures, discrepancies in reimbursement payments were not identified timely.

Recommendations:

The District's procedures need to be reviewed to ensure there is timely follow up if grant reimbursement requests are not funded on a timely basis.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

SECTION IV - PRIOR YEAR FINDINGS (Continued)

2019-010 Tracking Grant Reimbursement Requests to Receipt

Current Status:

Partially Implemented see 2020-001

The District is continuing to work on improving their procedures to ensure receipts of grant funds are accurate and timely. Although there were no current year findings relating to major programs tested the process can be further improved.

2018-009 Reimbursement claim forms/reports

Condition and Context:

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

Recommendation:

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

Current Status:

Partially implemented

This finding was reported as 2019-009 in 2019. This finding is reported as 2020-007 in 2020. The District is continuing to work on improving their procedures for accurate reporting and requests to the proper grant agency. No instances of discrepancies noted in the current year relating to identified major programs.

00-2 Coding Federal Expenditures

Condition:

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

Recommendation:

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

Current Status:

Partially implemented See Finding 2020-006

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

SCHEDULE OF FISCAL YEAR SPENDING COMPUTATIONS

PURSUANT TO ARTICLE X, SECTION 20

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

1. Total Fiscal Year Expenditures for All Funds Listed (Expenditures, plus changes in fund balances, less transfers)

a. General Fund (includes Preschool, Insurance Reserve and Capital Reserve Funds)	\$	83,337,628
b. Governmental Designated-Purpose Grants Fund		4,649,896
c. Pupil Athletic Fund (Special Revenue Fund)		1,542,332
d. Bond Redemption Fund		9,927,703
e. Food Service Fund		3,905,878
f. Charter Schools (Connect School and Villa Bella)		3,840,396
g. Pupil Activity Fund (Special Revenue Fund)		<u>1,742,193</u>

Total Fiscal Year Expenditures \$ 108,946,026

2. Deduct the Following Expenditures Included in Above Totals

a. Expenditures from Gifts/Foundations	1,931,490
b. Expenditures from Federal Revenue	8,744,832
c. Revenue Transfers	511,670
d. Expenditures from Designated Reserves	564,921
e. Expenditures from Proceeds of Damage Awards	4,030
f. Expenditures from the Sale of School Property	2,750
g. Other Sources, Additions, and Debt Proceeds	<u>10,258,272</u>

Total Fiscal Year Deductions 22,017,965

- | | | |
|---|--------------|-------------------|
| 3. Total Spending Subject to TABOR for FYE 6-30-2020 | \$ | <u>86,928,061</u> |
| 4. Total Spending Subject to TABOR for FYE 6-30-2019 | \$ | 78,047,331 |
| 5. Percentage Change in Denver/Boulder CPI | 2.731 | % |
| 6. Percentage Change in Student Enrollment | <u>5.203</u> | % |
| 7. Total Percentage Change | <u>7.934</u> | % |
| 8. Change in Permitted Spending Based on Percentage Changes | | <u>6,192,119</u> |
| 9. Maximum Spending Subject to TABOR for FYE 6-30-2020 | \$ | <u>84,239,450</u> |
| 10. FYE 6-30-2020 Spending Over (Under) Allowable Amount | \$ | <u>2,688,611</u> |

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

The accompanying notes are an integral part of this schedule.

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	Balance Per ADE	Swallows Charter Classification Variances	Included Capital Reserve Insurance Funds Held by District on Behalf of Connect Charter	Rounding	Balance Per Governmental Fund Financial Statements
<u>Connect Charter School / Component Unit</u>					
Beginning fund balance / Net position	\$ 1,093,197	\$ -	494,069	-	\$ 1,587,266
Revenues	2,291,516	-	77,799	(1)	2,369,314
Expenditures	1,974,689	-	257,125	-	2,231,814
Ending fund balance	1,410,024	-	314,742	-	1,724,766
<u>Villa Bella Expeditionary School/Component Unit</u>					
Revenues	1,548,880	-	342,339	-	1,891,219
Expenditures	1,471,902	-	369,735	-	1,841,637
Ending fund balance	64,068	-	(27,396)	(1)	36,671
<u>Swallows Charter Academy / Component Unit</u>					
Beginning fund balance / Net position	1,127,344	-	-	(1)	1,127,343
Revenues	6,544,384	28	-	-	6,544,412
Expenditures	6,101,716	28	-	2	6,101,746
Ending fund balance	1,570,011	-	-	(2)	1,570,009
<u>General Fund</u>					
Revenues	83,106,064	-	-	1	83,106,065
<u>Pupil Athletic - Special Revenue Fund</u>					
Revenues	1,380,196	-	-	(1)	1,380,195
Expenditures	1,542,333	-	-	(1)	1,542,332
<u>Pupil Activity Special Revenue Fund</u>					
Beginning fund balance	1,165,250	-	-	1	1,165,251
Ending fund balance	1,300,312	-	-	1	1,300,313

The accompanying notes are an integral part of this schedule.

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	Balance Per ADE	<u>Rounding</u>	Capital Reserve Fund is Combined With the General Fund on the Balance Sheet	Categories Shown Separate on Combining Balance Sheet	Due To/From Netted When Combining General, Insurance and Preschool Funds	Balance per Governmental Fund Financial Statements
Bolded Balance Sheet Report General Fund/Preschool Fund						
Cash and investments	\$ 20,705,253	\$ -	\$ -	\$ 320,271	\$ -	\$ 21,025,524
Cash with fiscal agent	320,271	-	-	(320,271)	-	-
Taxes receivable	2,068,681	-	-	(838,887)	-	1,229,794
Cash with treasurer	-	-	-	383,887	-	383,887
Property tax receivable	-	-	-	455,000	-	455,000
Due from other funds	3,114,099	-	-	-	(2,961,676)	152,423
Current assets	27,188	(1)	-	-	-	27,187
Total assets	26,389,196	(1)	-	-	(2,961,676)	23,427,519
Due to other funds	4,715,997	-	-	(1,754,091)	(2,961,676)	230
Due to component unit	-	-	-	1,754,091	-	1,754,091
Accrued expenses	8,170,071	1	-	-	-	8,170,072
Total liabilities and deferred inflow	14,243,938	-	-	-	(2,961,676)	11,282,262
Assigned	695,334	-	-	9,629	-	704,963
Unassigned	8,925,726	-	-	(9,629)	-	8,916,097
Total liabilities and fund balances	26,389,196	(1)	-	-	(2,961,676)	23,427,519
Debt Service Funds						
Property tax receivable	-	-	-	215,000	-	215,000
Taxes receivable	669,570	-	-	(310,814)	-	358,756
Cash with treasurer	-	-	-	95,814	-	95,814
Food Service Special Revenue Fund						
Inventories	72,932	(1)	-	-	-	72,931
Non-spendable fund balance	72,932	(1)	-	-	-	72,931
Assigned fund balance	378,582	1	-	-	-	378,583

The accompanying notes are an integral part of this schedule.

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2020

	Balance Per ADE	Rounding	Capital Reserve Insurance Funds Combined With Connect on the Balance Sheet	Categories Shown Separate on Combining Balance Sheet	Due To/From Netted When Combining General, Insurance and Preschool Funds	Balance per Governmental Fund Financial Statements
Bolded Balance Sheet Report Special Revenue Funds						
Total assets	\$ 7,234,474	\$ 1	\$ -	-	\$ -	\$ 7,234,475
Other payables	48,577	(1)	-	-	-	48,576
Assigned fund balance	1,788,806	1	-	-	-	1,788,807
Restricted fund balance	50,937	-	-	49,100	-	100,037
Tabor 3% emergency reserve	49,100	-	-	(49,100)	-	-
Total fund equity	1,888,043	1	-	-	-	1,888,044
Charter School / Component Unit						
Cash	2,292,815	-	-	33,786	-	2,326,601
Cash with fiscal agent	33,786	-	-	(33,786)	-	-
Interfund loans receivable	1,711,864	-	-	42,327	-	1,754,191
Assets held by District	-	-	287,346	-	-	287,346
Prepaid expenses	31,386	(1)	-	-	-	31,385
Total assets	4,083,153	(2)	287,346	42,327	-	4,412,824
Interfund payables	(42,227)	-	-	42,227	-	-
Other payables	23,182	1	-	100	-	23,283
Accrued expenses	475,359	-	-	(4,823)	-	470,536
Payroll deductions and withholdings	1,705	-	-	(1,705)	-	-
Other current liabilities	(6,528)	-	-	6,528	-	-
Total Liabilities	1,039,049	2	-	42,327	-	1,081,378
Non-spendable fund balance	-	-	-	31,385	-	31,385
Tabor 3% emergency reserve	111,300	-	-	159,425	-	270,725
Restricted fund balance - debt service	-	-	-	211,992	-	211,992
Assigned fund balance	159,425	(3)	287,346	2,370,576	-	2,817,344
Unassigned fund balance	2,773,378	-	-	(2,773,378)	-	-
Total fund equity	3,044,103	(3)	287,346	-	-	3,331,446

The accompanying notes are an integral part of this schedule.

COLORADO SCHOOL DISTRICT AUDITOR'S ELECTRONIC
FINANCIAL DATA INTEGRITY CHECK FIGURES
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2020

	<u>Balance Per CDE</u>	<u>Balance Per District</u>	<u>Variance</u>	<u>Explanation</u>
Warnings				
<u>Capital Construction Charter School</u>				
Grant Code: 3113				
Receipts	\$ 325,836.23	\$ 558,608.02	\$ (232,771.79)	Funding passed through to Swallows Charter School
<u>State ELPA</u>				
Grant Code: 3139				
Receipts	\$ 69,587.63	\$ 71,109.88	\$ (1,522.25)	Funding passed through to Swallows Charter School
<u>English Language Proficiency</u>				
Grant Code: 3140				
Receipts	\$ 59,264.01	\$ 63,585.39	\$ (4,321.38)	Funding passed through to Swallows Charter School
<u>Kindergarten Facility Capital Construction</u>				
Grant Code: 3250				
Receipts	\$ 254,982.07	\$ 268,193.07	\$ (13,211.00)	Funding passed through to Swallows Charter School
<u>Corona Virus Relief Funds</u>				
Grant Code: 4012				
Receipts	\$ 5,320,100.08	\$ 5,907,658.80	\$ (587,558.72)	Funding pass through to all Charter Schools
<u>IDEA: Part B: Special Education</u>				
Grant Code: 4027				
Receipts	\$ 1,506,856.63	\$ 1,505,804.63	\$ 1,052.00	Private school portion at June 30, 2019
<u>Fund 11 Fund Balance</u>				
Formula driven beginning fund balance	\$ 2,207,630.76			Swallows Charter School converted their internal service fund to a governmental fund "Building Corporation" resulting in a prior period adjustment
Previous year's ending fund balance	\$ 1,793,304.12		\$ 414,326.64	
<u>Fund 20 Fund Balance</u>				
Formula driven beginning fund balance	\$ 1,165,250.15			Prior period adjustment - Activities Fund
Previous year's ending fund balance	\$ 15,711.58		\$ 1,149,538.57	

The accompanying notes are an integral part of this schedule.