

**MONTEZUMA COUNTY (CORTEZ)
SCHOOL DISTRICT RE-1**

Independent Accountants' Reports
And
Basic Financial Statements

June 30, 2021

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Montezuma County (Cortez) School District RE-1
Cortez, Colorado 81321

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Montezuma County (Cortez) School District RE-1, as of and for the year ended June 30, 2021, 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 Children's KIVA Montessori Charter School, Inc, which represent 46.22 percent, 36.28 percent, and 36.38 percent, respectively, of the assets, net position, 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 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 standard 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 from material misstatement.

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

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

Opinions

In our opinion, 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Montezuma County (Cortez) School District RE-1, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Food Service Fund; the Governmental Designated-Purpose Grants Fund and the Student Activity Fund 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, Schedule of District's Pension Contributions, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of the District's Other Post Employment Benefits (OPEB) Plan Contributions and Schedule of the District's Proportionate Share of the Net Other Post Employment Benefit (OPEB) Liability, 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 Montezuma County (Cortez) School District RE-1's basic financial statements. The other supplemental information and information required by oversight authorities, including the budgetary comparison schedules, combining component unit schedules and Colorado Department of Education Auditors' Integrity Report, as listed in the table of contents, 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 Regulation (CFR) Part 200, *Uniform Administration Requirement, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The budgetary comparison schedules, combining component unit schedules, Colorado Department of Education Auditors' Integrity Report 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 the other auditors, the budgetary comparison schedule, combining component unit schedules, the Colorado Department of Education Auditors' Integrity Report and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 10 2021, on our consideration of the Montezuma County (Cortez) School District RE-1'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Montezuma County (Cortez) School District RE-1's internal control over financial reporting and compliance.

Majors and Haley P.C.

Majors and Haley PC

Cortez, Colorado
December 10, 2021

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Montezuma County (Cortez) School District RE-1, Colorado's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. Please consider the information presented here in conjunction with additional information that can be found in the basic financial statements, as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- The District's net position, resulting from of this year's operations, increased \$12,665,479.
 - Of this increase \$1,312,701 was the net change in governmental funds. This is a decrease of \$1,794,180 from \$3,106,881 in the previous year.
 - The internal service fund had a loss of \$(612,555). The previous year loss was \$426,779.
 - The increase also included the result of the District's share of PERA pension and OPEB plan benefit which, in net, totaled \$10,572,456.
 - The remaining \$1,392,877 was from the GASB 34 conversion.
- The District's total revenue was \$32,344,484 which is a decrease of \$583,945 from \$32,928,429 in the prior year.
 - General revenues (primarily state equalization and property tax) accounted for \$19,969,599 in revenue or 61.7% of all revenues. Program specific revenues in the form of charges for services and grants account for \$12,374,885 the remaining 38.3%.
- The District incurred \$19,679,005 in expenses which is a decrease of \$3,423,678 from \$23,102,683 in the prior year. \$12,374,885 of these expenses were offset by program specific charges for services, grants, and contributions. The general revenues of \$19,969,599 was adequate, by \$12,665,479, to cover all the expenditures that were not offset by program specific revenues.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2021

- The General Fund reported a \$1,850,838 increase in fund balance from \$12,861,978 in the prior year to \$14,712,816. This is an increase of 14.4%.
 - The General Fund revenues decreased \$3,136,334 from \$24,384,310 to \$21,247,976, for an 12.9% increase.
 - The General Fund expenditures decreased (including transfers) \$2,724,221 from \$22,121,359 in the prior year to \$19,397,138. This is a 12.3% decrease.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components.

- Government-wide financial statements.
- Fund financial statements.
- Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The Government-wide financial statements are designed to provide the reader of the District's Annual Financial Report a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the Statement of Net Position and the Statement of Activities.

- The Statement of Net Position presents information about all the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position.
- The Statement of Activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the Statement of Activities when the underlying event occurs, regardless of the timing of related cash flow. Thus, all the revenues and expenses are taken into account regardless of when cash is received or paid.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2021

The Government-wide financial statements are one way to measure the District's financial health, or financial position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating.
- 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 facilities.

In the government-wide financial statements, the District's activities are presented in the following category:

- **Governmental activities** – The District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. These activities are financed mainly through property taxes and state equalization funds.

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 to be established by state law. However, the District establishes other funds to help it manage and control its finances to achieve certain results.

The District uses two types of funds:

- **Governmental funds** – The District's basic services are included in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the services it provides. Governmental fund information helps one 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 government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2021

The District maintains six different governmental funds. They are the General Fund, Food Service Fund, Governmental Designated-Purpose Grants Fund, Student Activity Fund, Bond Redemption Fund, and the Capital Projects Fund. They are all considered major funds due to their importance to the District.

- **Proprietary funds** – Services for which the District charges a fee are generally reported in proprietary funds. The District maintains one type of proprietary fund, the internal service fund. Internal service funds are used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for the employee medical benefit activities related to the District's employee medical benefit insurance needs.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, net position was \$7,027,269 at the close of the most recent fiscal year.

Net investment in capital assets (e.g. land and improvements, buildings, and equipment net any related debt to acquire those assets that is still outstanding) represents \$33,154,665 of the net position. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Property taxes are levied specifically to fund debt service on general obligation bonds.

An additional \$4,410,925 of the net position represents resources that are subject to external restrictions on how they may be used. \$850,000 of the restricted net position is an emergency reserve required by the Tabor amendment; \$91,884 is for food service; \$327,294 is for student activity; \$1,439,839 is for the repayment of the general obligation bonds; \$944,667 is for the capital projects; \$40,218 is for preschool and \$717,023 is for Grants, technology and insurance.

The remaining (\$30,538,321) is unrestricted net position. The negative balance is due to a net pension and OPEB plan benefits of \$58,767,213, representing the District's share of the state retirement system plan.

The following table indicates a summary of the Statement of Net Position for Governmental Activities as of June 30, 2021, and 2020.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

As of and for the Year Ended June 30, 2021

Table 1

Comparative Summary Statement of Net Position
At June 30

	Governmental Activities	
	2021	2020
Assets		
Current assets	\$ 21,106,931	\$ 22,094,382
Capital assets, net of depreciation	47,343,530	46,722,284
Total assets	68,450,461	68,816,666
Deferred Outflows of Resources	11,754,596	7,683,155
Liabilities		
Current liabilities	2,655,979	4,144,725
Noncurrent liabilities	51,411,261	50,123,344
Total liabilities	54,067,240	54,268,069
Deferred Inflows of Resources	19,110,548	27,869,962
Net Position		
Invested in capital assets	33,154,665	31,562,937
Restricted	4,410,925	4,876,469
Unrestricted	(30,538,321)	(42,077,616)
Total net position	\$ 7,027,269	\$ (5,638,210)

At the close of the most recent fiscal year current assets of \$21,106,931, comprised 30.8% of total assets, decreasing from 32.1% in the prior year. The investments in capital assets, less depreciation make up the remaining 69.2% of assets. Accrued wages and benefits represent 76.7% of the total current liabilities. Accrued wages and benefits occur when teachers and certain other District employee's work nine or ten months of the year but are paid over a full twelve months. Current liabilities decreased \$1,488,746 from \$4,144,725 in the prior year to \$2,655,979. There was a net increase in noncurrent liabilities from the prior year of \$1,287,917. This was due to the net pension liability; debt payments and deferred outflows of resources net of deferred inflows of resources.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2021

The following table indicates the summary of Changes in Net Position for Governmental Activities in the fiscal year 2021 and 2020.

Table 2

Comparative Summary of Changes in Net Position
For the Year Ending June 30

	Governmental Activities	
	2021	2020
Revenues		
Program revenues		
Charges for services	\$ 3,805,241	\$ 3,468,886
Operating grants and contributions	8,456,485	5,509,808
Capital grants and contributions	113,159	167,066
General revenues		
Taxes	13,412,993	14,895,573
State Equalization - net	6,113,894	8,264,382
Other	442,712	622,714
Total revenues	<u>32,344,484</u>	<u>32,928,429</u>
Expenses		
Instructional program services	6,443,660	9,029,845
Support program services	13,235,345	14,072,838
Total expenses	<u>19,679,005</u>	<u>23,102,683</u>
Increase (decrease) in net position	<u>\$ 12,665,479</u>	<u>\$ 9,825,746</u>

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$7,807.37 per funded student down from \$8,225.99 the prior year. In fiscal year 2021 the funded pupil count was 2,702.2. Charter Schools accounted for 354 of this funded pupil count. Funding for the SFA comes from property taxes, specific ownership taxes and state equalization. The District receives approximately 42.1 percent of this funding from state equalization while the remaining SFA funding amounts consist of property and specific ownership taxes.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2021

The statement of activities shows the cost of program services and the charges for services and grants offsetting those service costs. Table 3 shows, for governmental activities, the total cost of services and net cost of services. That is, it identifies the cost of these services supported by unrestricted state equalization and property taxes.

Table 3
Governmental Activities Net Cost of Services

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instructional program services	\$ 6,443,660	\$ 9,029,845	\$ 2,592,387	\$ 6,637,550
Support program services	13,235,345	14,072,383	4,711,733	7,319,373
Total	<u>\$19,679,005</u>	<u>\$23,102,228</u>	<u>\$ 7,304,120</u>	<u>\$13,956,923</u>

- The cost of all governmental activities during the year was \$19,679,005.
- Some of the cost was financed by the users of the District's programs (\$3,805,241).
- Federal and state government subsidized \$8,569,644.
- However, most of the District's costs (\$19,969,599) were financed by State and District taxpayers. This portion of governmental activities was financed for the most part with \$6,113,894 in state equalization, net of per pupil charter school allocation, from the School Finance Act of 1994 (SFA) and \$13,412,993 in property and specific ownership taxes.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has six funds that are considered major under GASB 34 reporting requirements. Information about the District's government funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues and other financing sources of \$29,484,753 and expenditures and other financing uses of \$28,172,052.

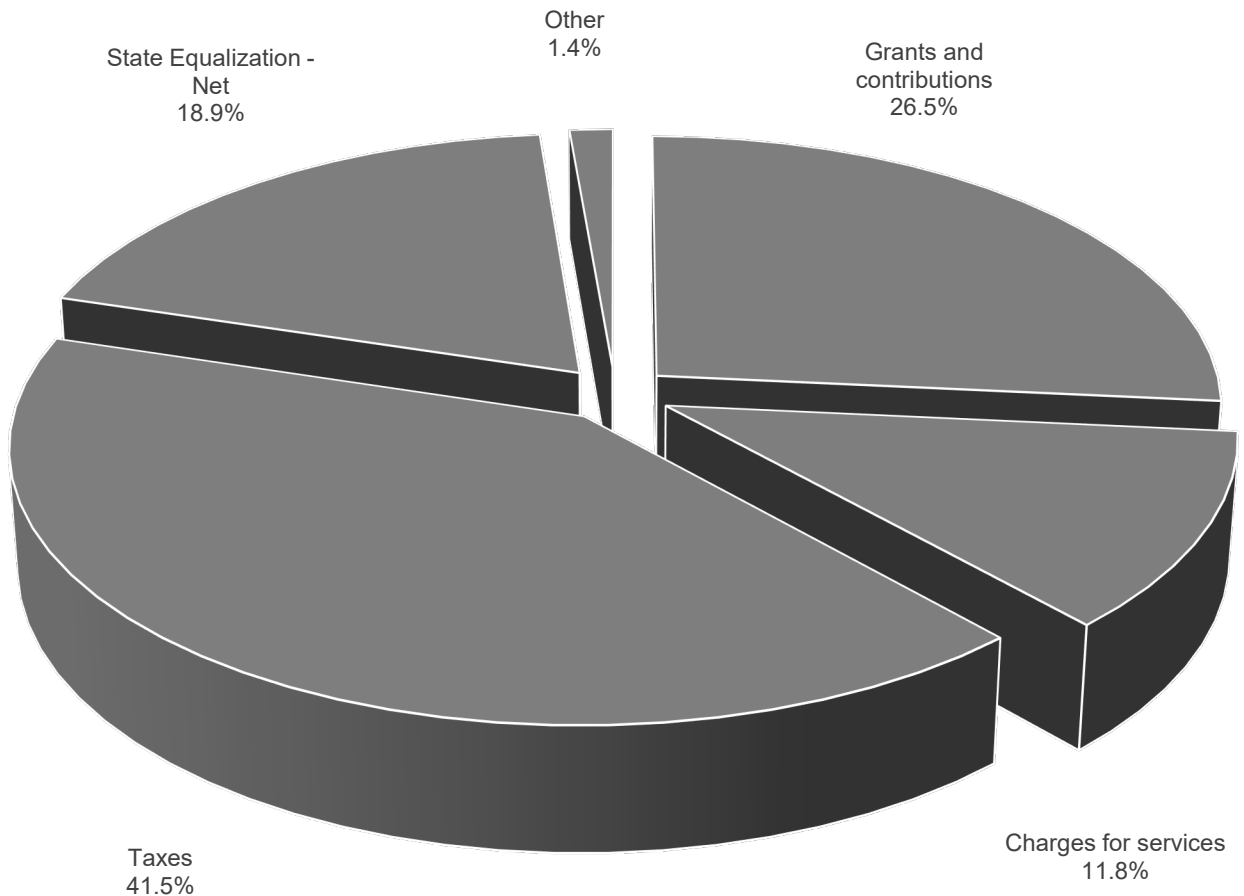
MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2021

State equalization and taxes accounted for most of the District's governmental funds total revenue, with each contributing 18.9 percent and 41.5 percent, respectively. Another 26.5 percent came from state and federal grants and the remainder from charges for services and miscellaneous sources. See Table 4.

Table 4
Sources of Revenue for Fiscal Year 2021



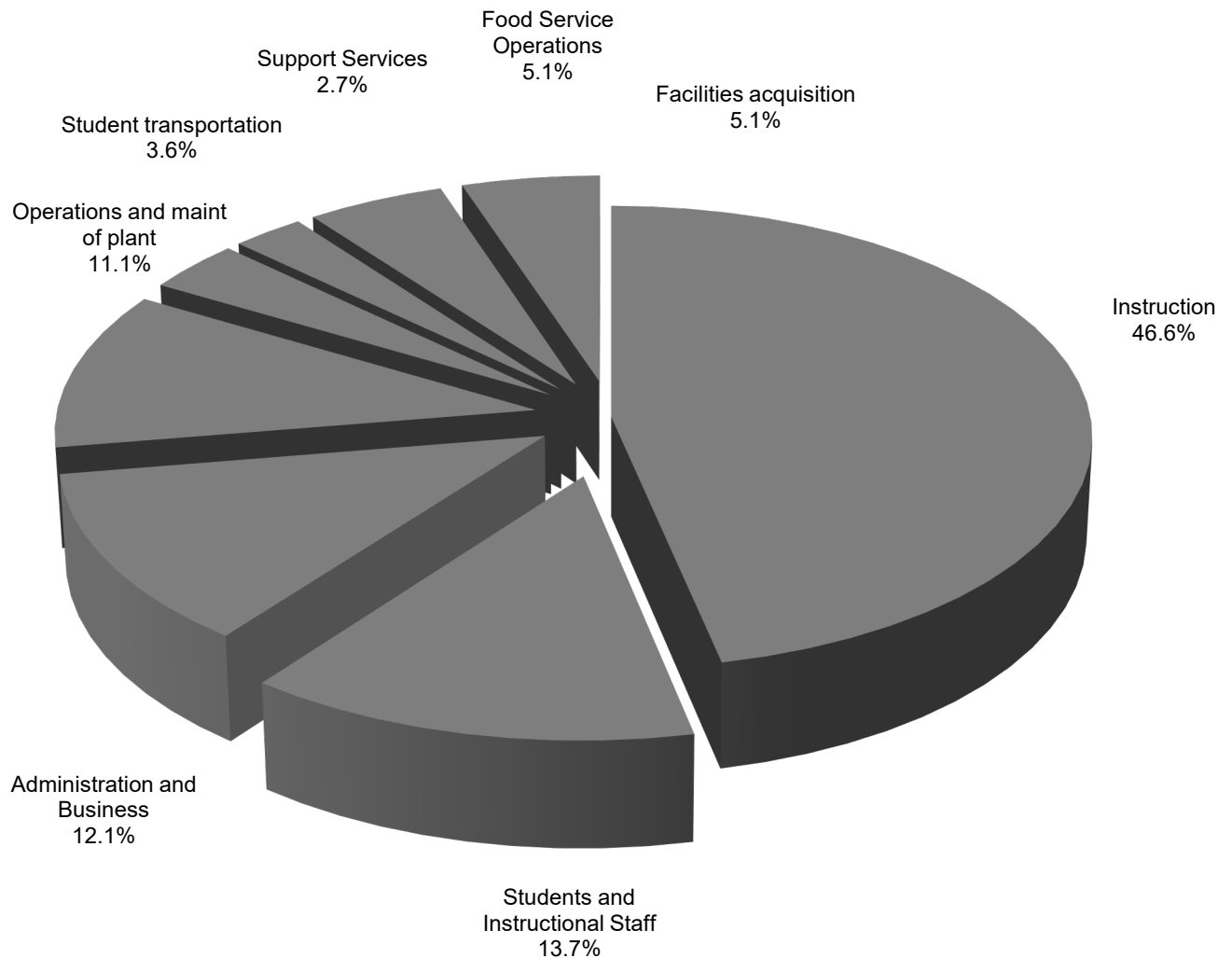
MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2021

The District's expenses are predominately related to instruction, (46.6 percent). The District's administrative and business activities accounted for 12.1 percent of total costs. See Table 5.

Table 5
Expenses for Fiscal Year 2021



MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2021

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.

Over the course of the year, the District revised the annual operating budget by making an increase in appropriations.

- Increases in appropriations were due primarily to additional funding that was received after the original budget was prepared.
- Actual expenditures, excluding transfers and appropriated reserves was \$1,528,950 below budget.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2021, the District has invested \$69,526,444 in land, buildings, and equipment (including vehicles). Table 6 shows capital assets for 2021 compared to 2020:

Table 6
Capital Assets
At June 30

	Governmental Activities	
	2021	2020
Land	\$ 800,068	\$ 800,068
Buildings	65,395,536	63,573,751
Equipment	3,333,840	3,386,530
Total	<u>\$69,529,444</u>	<u>\$67,760,349</u>

Additional information on the District's capital assets can be found in Note 5 of the notes to the financial statements of this report.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2021

LONG-TERM DEBT

General obligation bonds were issued November 27, 2012 and February 6, 2013, respectively, for the purpose of constructing a new high school. At June 30, 2020, the balance of these bonds was \$15,159,347. During fiscal year 2021 the District paid principal of \$970,482 to take the balance at June 30, 2021 to \$14,188,865. Additional information on the District's long-term debt can be found in Note 7 of the notes to the financial statements of this report.

CHARTER SCHOOLS

The Battlerock Charter School, the Southwest Open School and the Children's Kiva Montessori Charter School have been included in the District's basic financial statements in a separate column, as discretely presented component units. The Charter Schools audits are located in the administration office of the District and each of the Schools.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District is not aware of any existing circumstances that could significantly affect its financial health in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, parents, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, the financial statements of the component units, or need additional financial information, contact the Business Office, Montezuma County (Cortez) School District RE-1; P.O. Drawer R; 400 North Elm Street, Cortez, Colorado 81321.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Statement of Net Position

June 30, 2021

	Primary Government	Component Units
	Governmental Activities	Charter Schools
Assets		
Cash and investments	\$ 19,160,575	\$ 1,920,728
Cash with fiscal agent	68,018	
Taxes receivable	393,849	
Interfund receivable		
Due from District Charter Schools	43,527	(43,527)
Grants receivable	1,302,817	84,983
Other receivables	129,150	9,701
Inventories	8,995	
Prepaid expenses		38,947
Capital assets - net of depreciation	47,343,530	2,766,197
Total Assets	<u>68,450,461</u>	<u>4,777,029</u>
Deferred Outflows of Resources		
Pensions, net of accumulated amortization	11,653,351	1,862,837
OPEB, net of accumulated amortization	101,245	35,761
Total Deferred Outflows of Resources	<u>11,754,596</u>	<u>1,898,598</u>
Liabilities		
Interfund		
Accounts payable	107,089	10,287
Accrued salaries and benefits payable	2,037,745	222,357
Grants unearned revenue	511,145	5,349
Long-term liabilities		
Due within one year	997,098	25,248
Due in more than one year	13,191,767	1,215,797
Net pension liability	35,916,561	4,256,538
Net OPEB liability	1,305,835	154,656
Total Liabilities	<u>54,067,240</u>	<u>5,890,232</u>
Deferred Inflows of Resources		
Pensions, net of accumulated amortization	18,546,366	2,228,533
OPEB, net of accumulated amortization	564,182	69,681
Total Deferred Inflows of Resources	<u>19,110,548</u>	<u>2,298,214</u>
Net Position		
Net investment in capital assets	33,154,665	1,550,400
Restricted		
TABOR	850,000	109,517
Food service	91,884	
Student activity	327,294	7,475
Debt service	1,439,839	
Capital projects	944,667	313,736
Preschool	40,218	
Grants	6,713	
Technology	507,177	
Insurance	203,133	
Unrestricted	(30,538,321)	(3,493,947)
Total Net Position	<u>\$ 7,027,269</u>	<u>\$ (1,512,819)</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Statement of Activities

For the Year Ended June 30, 2021

		Program revenues			Net (expenses) revenues and changes in net position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units Charter Schools
	Expenses					
Primary Government						
Governmental Activities						
Instructional program services	\$ 6,443,660	\$ 611,983	\$ 3,239,290		\$ (2,592,387)	
Support program services	13,235,345	3,193,258	5,217,195	\$ 113,159	(4,711,733)	
Total Governmental Activities	<u>19,679,005</u>	<u>3,805,241</u>	<u>8,456,485</u>	<u>113,159</u>	<u>(7,304,120)</u>	
Total Primary Government	<u>\$ 19,679,005</u>	<u>\$ 3,805,241</u>	<u>\$ 8,456,485</u>	<u>\$ 113,159</u>	<u>(7,304,120)</u>	
Component Units - Charter Schools	<u>\$ 2,933,794</u>	<u>\$ 142,624</u>	<u>\$ 1,118,114</u>	<u>\$ 230,937</u>		\$ (1,442,119)
General Revenues						
Property tax for general purposes					10,963,638	
Property tax for repayment of debt					1,165,104	
Specific ownership tax for general purposes					1,284,251	
Loss on the sale of assets						
Intergovernmental						
State Equalization					8,877,704	
Per pupil charter school allocation					(2,763,810)	2,763,810
Mineral leasing					155,725	
Public lands					87,023	40,958
Miscellaneous					199,964	43,502
Total General Revenues					<u>19,969,599</u>	<u>2,848,270</u>
Changes in Net Position					12,665,479	1,406,151
Net Position Beginning of the Year					(5,638,210)	(2,918,970)
Net Position End of the Year					<u>\$ 7,027,269</u>	<u>\$ (1,512,819)</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

Governmental Funds
Balance Sheet

June 30, 2021

	General Fund	Food Service Fund	Governmental Designated-Purpose Grants Fund	Student Activity Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Assets							
Cash and investments	\$ 15,543,873	\$ 161,361	\$ 4,696	\$ 330,537	\$ 1,411,434	\$ 956,055	\$ 18,407,956
Cash with fiscal agent	28,974				3,044		32,018
Taxes receivable	362,852				30,997		393,849
Interfund receivable	557,219		202,419				759,638
Due from Charter Schools	53,133						53,133
Grants receivable	28,581		1,274,236				1,302,817
Other receivable	116,785	2,759				9,606	129,150
Inventories		8,995					8,995
Total Assets	\$ 16,691,417	\$ 173,115	\$ 1,481,351	\$ 330,537	\$ 1,445,475	\$ 965,661	\$ 21,087,556
Liabilities							
Due to Charter Schools						\$ 9,606	\$ 9,606
Interfund payable			\$ 756,395	\$ 3,243			759,638
Accounts payable	\$ 69,959		37,130				107,089
Accrued salaries and benefits payable	1,783,642	\$ 72,236	181,867				2,037,745
Grants unearned revenue	511		499,246			11,388	511,145
Total Liabilities	1,854,112	72,236	1,474,638	3,243		20,994	3,425,223
Deferred Inflows of Resources							
Unearned revenue - property tax	124,489				\$ 5,636		130,125
	<u>124,489</u>	<u>-</u>			<u>5,636</u>		<u>130,125</u>
Fund Balances							
Non spendable		8,995					8,995
Restricted							
TABOR	850,000						850,000
Food service		91,884					91,884
Student activity				327,294			327,294
Debt service					1,439,839		1,439,839
Capital projects						944,667	944,667
Preschool	40,218						40,218
Grants			6,713				6,713
Technology	507,177						507,177
Insurance	203,133						203,133
Committed	1,109,099						1,109,099
Unrestricted							
Assigned for next year's expenditures	12,003,189						12,003,189
Total Fund Balances	14,712,816	100,879	6,713	327,294	1,439,839	944,667	17,532,208
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 16,691,417	\$ 173,115	\$ 1,481,351	\$ 330,537	\$ 1,445,475	\$ 965,661	\$ 21,087,556

Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position

Total Fund Balance Governmental Funds \$ 17,532,208

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets	\$ 69,529,444	
Accumulated depreciation	(22,185,914)	47,343,530
Unavailable revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		130,125
Long-term liabilities and related items, including net pension liability, OPEB plan liability and pension and OPEB-related deferred outflows/inflows of resources, are not due and payable in the current year, and, therefore, are not reported in governmental funds.		
Due within one year	(997,098)	
Due in more than one year	(13,191,767)	
Net pension liability	(35,916,561)	
Deferred outflows of resources related to pensions - net	11,653,351	
Deferred inflows of resources related to pensions - net	(18,546,366)	
Net OPEB liability	(1,305,835)	
Deferred outflows of resources related to OPEB - net	101,245	
Deferred inflows of resources related to OPEB - net	(564,182)	(58,767,213)

The internal service funds are used by the District to account for the costs of employee medical benefits. The assets and liabilities of the internal service fund is included with governmental activities. 788,619

Total Net Position Governmental Activities \$ 7,027,269

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2021

	General Fund	Food Service Fund	Governmental Designated- Purpose Grants Fund	Student Activity Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Revenues							
Local sources							
Taxes	\$ 12,546,378				\$ 1,191,089		\$ 13,737,467
Other	460,603	\$ 35,920	\$ 509,944	\$ 159,474	5,711	\$ 98,054	1,269,706
Intermediate sources	242,748						242,748
State sources							
State Equalization	8,877,704						8,877,704
Per pupil charter school allocation	(2,763,810)						(2,763,810)
Grants	953,255	10,303	478,773			113,159	1,555,490
Federal sources							
Grants	931,098	823,895	4,794,993				6,549,986
Other						15,462	15,462
Total Revenues	21,247,976	870,118	5,783,710	159,474	1,196,800	226,675	29,484,753
Expenditures							
Instructional program services	10,142,195		2,368,156	153,808		9,098	12,673,257
Support program services							
Students	716,503		1,195,790				1,912,293
Instructional staff	963,350		845,568				1,808,918
General administration	482,954		494,725				977,679
School administration	1,758,385		51,464				1,809,849
Business	420,485		81,274			15	501,774
Plant operation and maintenance	2,237,452		711,181			57,873	3,006,506
Student transportation	761,103		5,233			213,339	979,675
Central support services	636,233		14,648				650,881
Other support services	78,478		3,431				81,909
Food service operations		954,849				13,734	968,583
Facilities acquisition			13,745			1,375,913	1,389,658
Debt service					1,411,070		1,411,070
Total Expenditures	18,197,138	954,849	5,785,215	153,808	1,411,070	1,669,972	28,172,052
Excess revenues over (under) expenditures	3,050,838	(84,731)	(1,505)	5,666	(214,270)	(1,443,297)	1,312,701
Other Financing Sources (Uses)							
Transfers in (out)	(1,200,000)	150,000				1,050,000	-
Total Other Financing Sources (Uses)	(1,200,000)	150,000				1,050,000	-
Net Change in Fund Balances	1,850,838	65,269	(1,505)	5,666	(214,270)	(393,297)	1,312,701
Fund Balances Beginning of the Year	12,861,978	35,610	8,218	321,628	1,654,109	1,337,964	16,219,507
Fund Balances End of the Year	\$ 14,712,816	\$ 100,879	\$ 6,713	\$ 327,294	\$ 1,439,839	\$ 944,667	\$ 17,532,208

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2021

Net Change in Fund Balances Governmental Funds	\$ 1,312,701
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period the basis of assets sold.	
Capital outlay	\$ 2,096,939
Depreciation expense	(1,475,693)
	<hr/> 621,246
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(198,851)
Governmental funds report debt issuance proceeds as an other financing source, while repayment of debt principle is reported as an expenditure. The net effect of these differences in the treatment of long-term debt is as follows:	
Principal payment on long-term debt	970,482
Governmental fund expenditures related to pension and OPEB obligations are measured by the amount of financial resources used (essentially, the amounts actually paid to the pension plan), whereas in the Statement of Activities, they are measured on the full accrue basis. The amount represents the change in net pension liability, pension and OPEB related deferred outflows and inflows of resources.	
Pension contributions	
Cost of pension benefits earned net of employee contributions	2,636,169
Support from the State of Colorado	7,804,820
OPEB contributions	135,256
Cost of OPEB benefits earned net of employee contributions	(3,789)
	<hr/> 10,572,456
The change in net position of the internal service fund is reported with governmental activities.	(612,555)
Change in Net Position of Governmental Activities	<hr/> \$ 12,665,479 <hr/>

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

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Revenues				
Local sources				
Property taxes	\$ 11,341,903	\$ 11,118,470	\$ 11,262,127	\$ 143,657
Specific ownership tax	1,026,750	1,100,047	1,284,251	184,204
Charges for services	244,151	234,224	283,937	49,713
Other	203,250	144,550	176,666	32,116
Intermediate sources				
Mineral Lease	160,000	155,000	155,725	725
Public School Lands	140,930	88,000	87,023	(977)
State sources				
State Equalization	9,248,733	8,530,896	8,877,704	346,808
Per pupil charter school allocation	(2,950,767)	(3,243,102)	(2,763,810)	479,292
Grants	780,666	1,157,928	953,255	(204,673)
Federal sources				
Grants	550,000	666,274	931,098	264,824
Total Revenues	20,745,616	19,952,287	21,247,976	1,295,689
Expenditures				
Instructional Program	14,310,314	10,657,464	10,142,195	515,269
Support Programs				
Students	378,089	748,806	716,503	32,303
Instructional staff	457,876	963,546	963,350	196
General administration	839,361	752,431	482,954	269,477
School administration	320,000	1,946,000	1,758,385	187,615
Business	366,693	440,086	420,485	19,601
Plant operation and maintenance	1,463,555	2,246,477	2,237,452	9,025
Student transportation	953,246	847,039	761,103	85,936
Central support services	892,930	718,903	636,233	82,670
Other support services	355,636	355,636	78,478	277,158
Other	49,700	49,700		49,700
Appropriated reserves	356,584			-
Total Expenditures	20,743,984	19,726,088	18,197,138	1,528,950
Excess revenues over (under) expenditures	1,632	226,199	3,050,838	2,824,639
Other Financing Sources (Uses)				
Transfers Out	(1,119,956)	(1,274,195)	(1,200,000)	74,195
Total Other Financing Sources (Uses)	(1,119,956)	(1,274,195)	(1,200,000)	74,195
Net Change in Fund Balances	(1,118,324)	(1,047,996)	1,850,838	2,898,834
Fund Balances beginning of the year	9,383,486	12,861,978	12,861,978	-
Fund Balances end of the year	\$ 8,265,162	\$ 11,813,982	\$ 14,712,816	\$ 2,898,834

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Food Service Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Revenues				
Local sources				
Food sales	\$ 165,000	\$ 115,000	\$ 35,846	\$ (79,154)
Other	60	60	74	14
State sources				
Grants	20,175	20,175	10,303	(9,872)
Federal sources				
Grants	857,800	857,800	823,895	(33,905)
Total local sources	1,043,035	993,035	870,118	(122,917)
Expenditures				
Support programs				
Food service operations	1,148,400	1,126,867	954,849	172,018
Appropriated reserves	118,923			-
Total Expenditures	1,267,323	1,126,867	954,849	172,018
Excess revenue over (under) expenditures	(224,288)	(133,832)	(84,731)	49,101
Other Financing Sources (Uses)				
Transfers In	150,000	150,000	150,000	-
Total Other Financing Sources (Uses)	150,000	150,000	150,000	-
Net change in fund balance	(74,288)	16,168	65,269	49,101
Fund balance beginning of the year	74,288	20,915	35,610	14,695
Fund balance end of the year	\$ -	\$ 37,083	\$ 100,879	\$ 63,796

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Governmental Designated-Purpose Grants Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Revenues				
Local sources				
Grants	\$ 9,045	\$ 821,311	\$ 493,517	\$ (327,794)
Other	56,605	6,295	16,427	10,132
State sources				
Grants	705,030	670,054	478,773	(191,281)
Federal sources				
Grants	4,571,429	6,110,851	4,794,993	(1,315,858)
Total Revenues	5,342,109	7,608,511	5,783,710	(1,824,801)
Expenditures				
Instructional Program	2,343,665	3,096,176	2,368,156	728,020
Support Programs				
Students		1,188,786	1,195,790	(7,004)
Instructional staff	2,069,625	1,411,235	845,568	565,667
General administration	620,751	486,740	494,725	(7,985)
School administration		53,000	51,464	1,536
Business	81,725	80,610	81,274	(664)
Plant operation and maintenance		1,271,120	711,181	559,939
Student transportation	205,500		5,233	(5,233)
Central support services	20,843	20,844	14,648	6,196
Food service operations			3,431	(3,431)
Facilities acquisition			13,745	(13,745)
Total Expenditures	5,342,109	7,608,511	5,785,215	1,823,296
Excess revenues over (under) expenditures	-	-	(1,505)	(1,505)
Net Change in Fund Balances	-	-	(1,505)	(1,505)
Fund Balances beginning of the year			8,218	8,218
Fund Balances end of the year	\$ -	\$ -	\$ 6,713	\$ 6,713

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Student Activity Fund

For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues				
Local sources				
Other	\$ 500,000	\$ 500,000	\$ 159,474	\$ (340,526)
Total local sources	500,000	500,000	159,474	(340,526)
Total Revenues	500,000	500,000	159,474	(340,526)
Expenditures				
Instructional program services	500,000	500,000	153,808	346,192
Appropriated reserves		321,628		321,628
Total Expenditures	500,000	821,628	153,808	667,820
Total Expenditures	500,000	821,628	153,808	667,820
Net Change in Fund Balances	-	(321,628)	5,666	327,294
Fund Balances beginning of the year	276,468	321,628	321,628	-
Fund Balances end of the year	\$ 276,468	\$ -	\$ 327,294	\$ 327,294

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1Proprietary Fund
Statement of Net PositionJune 30, 2021

	Governmental Activities
	Internal Service Fund
	Self-Insurance Fund
Assets	
Current Assets	
Cash and investments	\$ 752,619
Cash with fiscal agent	36,000
Total Current Assets	<u>788,619</u>
Total Assets	<u>788,619</u>
Net Position	
Unrestricted	788,619
Total Net Position	<u><u>\$ 788,619</u></u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2021

	Governmental Activities
	Internal Service Fund
	Self-Insurance Fund
Operating Revenues	
Premiums	\$ 3,057,934
Operating Expenses	
Central service	
Purchased services	
Other	(3,671,137)
Operating income (loss)	<u>(613,203)</u>
Non-Operating Revenue (Expense)	
Local sources	
Earnings on investments	648
Net income (loss)	<u>(612,555)</u>
Net Position Beginning of the Year	1,401,174
Net Position End of the Year	<u><u>\$ 788,619</u></u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1Proprietary Funds
Statement of Cash FlowsFor the Year Ended June 30, 2021

	Governmental Activities
	Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 3,057,934
Cash payments to suppliers for goods and services	(3,671,137)
Net Cash Flows provided (used) by Operating Activities	<u>(613,203)</u>
Cash Flows from Investing Activities	
Earnings on investments	648
Net Cash Flows provided (used) by Investing Activities	<u>648</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(612,555)
Cash and Cash Equivalents Beginning of the Year	1,401,174
Cash and Cash Equivalents End of the Year	<u><u>\$ 788,619</u></u>
Reconciliation of operating income (loss) to Net Cash provided (used) by Operating Activities	
Operating income (loss)	\$ (613,203)
Total adjustments	
Net Cash Flows provided (used) by Operating Activities	<u><u>\$ (613,203)</u></u>

The accompanying notes are integral part of this statement.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

1. *Summary of Significant Accounting Policies*

The financial statements of Montezuma County (Cortez) School District RE-1 (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements of Interpretations).

The following significant accounting policies were applied in the preparation of the accompanying financial statements.

Reporting Entity - The District is governed by a seven-member Board of Education ("Board") and is organized and operates in accordance with Colorado statutes. Board members are elected by the citizens of the District, not appointed by any other governing body. The Board selects the superintendent of schools. The Board is solely responsible for the District's budget adoption process. The District has the authority to levy taxes and issue debt. The District meets the criteria of a primary government; its' board is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other government reporting entity.

Charter Schools - The Legislature of the State of Colorado enacted the "Charter School Act – Colorado Revised Statutes (CRS) Section 22-30.5-101 in 1993. 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 a portion of the District's School Finance Act Revenues (based on student enrollment), state and federal grants, as well as other revenues generated by the charter schools, within the limits established by the Charter School Act. Charter schools have separate governing boards; however, the District's Board of Education must approve all charter school applications and budgets. Based on criteria set forth in GASB Statement 61, The Financial Reporting Entity: Omnibus and amendment of GASB 14 and 34, the Battlerock Charter School, the Southwest Open School and the Children's Kiva Montessori Charter School have been included in the District's basic financial statements in a separate column, as discretely presented component units. The Charter Schools audits are available in the administration office of the District and each of the Schools.

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

The statement of activities demonstrates the degree to which the direct expense of a given function or segments are offset by program revenues. Direct expenses are those that are

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

clearly identifiable with a specific function or segment. Program revenues include 1) fees and charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The District has no non-major funds.

Measurement Focus and Basis of Accounting - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On an accrual basis, property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

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

Governmental Funds – Governmental funds are used to account for the District's general governmental activities including the collection and disbursement of earmarked funds (special revenue funds). Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal 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 services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and capital leases are reported as other financing sources.

Those revenues subject to accrual are property taxes, charges for services and expended grants associated with the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity, with a self-balancing set of accounts. Fund accounting

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements. The District reports the following major governmental funds:

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

Food Service Fund – The Food Service Fund is a special revenue fund used to account for the financial transactions related to the food service operations of the District. The major source of revenue are food service grants.

Governmental Designated Purpose Grants Fund - The Governmental Designated Purpose Grants Fund is a special revenue fund used to maintain a separate accounting for programs funded by federal, state, and local grants. The major source of revenues is operating grants.

Student Activity Fund – The Student Activity Fund is a special revenue fund used to account for financial transactions related to student activity accounts. The major source of revenues is student fees.

Bond Redemption Fund – The Bond Redemption Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for the accumulation of resources and expenditure of resources for capital improvements within the District.

Proprietary Funds – Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenues of the District's enterprise funds are charges for services. Operating expenses for enterprise funds include cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District reports the following proprietary fund:

Internal Service Fund – Self Insurance Fund – The Self Insurance Fund is used to account for the District's medical benefit program.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

Cash and Cash Equivalents - Cash and cash equivalents for the purpose of the statement of cash flows, are to be considered highly liquid investments with original maturities of three

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months or less. Investments in external investment pools are stated at cost, which is equal to fair value.

Due to/from Charter Schools - Due to/from Charter Schools represents amounts that are due to/from the Charter Schools. The amounts are normal transactions that are paid in the next two months or less.

Short-term Interfund Receivable/Payables – During the course of operations, transactions occur between individual funds for goods or services rendered. These are paid in the next two months or less.

Grants Accounts Receivable - State and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Grants receivable are recorded when expenditures are made, and the grant monies have not been received.

Inventories – Inventories purchased by the Food Service Fund are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA'S assigned value, which approximate fair value at the date of receipt. Expenses for food items are recorded when used. The federal government donates surplus commodities to supplement the national school lunch programs.

Capital Assets - Capital assets, which include land, building and improvements, furniture, equipment, and vehicles are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

The District maintains a capitalization threshold of \$25,000 for major outlays for buildings and improvements. The District does not possess any infrastructure.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the life of an asset are not capitalized.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and Improvements	20-50 Years
Furniture and Equipment	5-15 Years
Vehicles	8 Years

Deferred Outflows/Inflows of Resources – In additions to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to future period(s) and so will not be recognized as an outflow or resources (expense/expenditure) until that time.

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In addition to the liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Accrued Salaries and Benefits Payable – Accrued salaries and benefits payable represent the liability to teachers and certain other employees who earn their salaries over the nine-month school year but are paid over a twelve-month period. Changes in the accrual are reflected in expenditures or expense on the applicable fund's statement of revenue, expenditures, and changes in fund balance.

Compensated Absences – Under the District's policies, employees earn vacation leave and sick leave based on longevity of services or position.

Instructional staff vacation must be taken during the summer, before the succeeding school term, or be lost. Administrative staff vacation shall be 20 days per year. Unused vacation may be accumulated up to 30 days. Vacation for support staff accumulates at 10 to 20 days per year. Unused vacation can accumulate up to 5 days. Vacations are to be taken throughout the year (and not accumulate over into another year). Vacation is not accrued since the amount does not exceed a normal year's accumulation.

Sick leave with pay shall be granted to each employee of the District. It may be used for the employee's illness, quarantine, or disability or for the illness or death of members of the immediate family.

Sick leave will begin accruing on the first day of employment and will accrue at the rate of 10 days per year, plus an additional two days for employees having twelve-month contracts. A maximum of 60 days sick leave may be accumulated. Days, as specified here pertain to teaching days.

If an employee is unable to return to work after sixty (60) consecutive working days, he will be dropped from the payroll and transferred to income protection, but he will maintain his tenure and salary increment status at the time of his illness or disability if he returns to service in the District within 24 months from the date of the beginning of personal deduction. Accumulated sick leave does not vest with the employee; that is, the employees have no right to be reimbursed for unused sick leave if they terminate. Under generally accepted accounting principles, there is, therefore, no expense or liability for accumulated sick leave or vacation included in the financial statements.

Grants Deferred Revenues – Grants deferred revenue arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Long-term Debt - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

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Fund Equity - The fund balances of the governmental funds are reported in classifications based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent as follows;

- Nonspendable fund balance represents assets that cannot be spent because of their form or legally or contractually must be maintained intact.
- Restricted fund balance reflects resources that are subject to externally enforceable legal limitations.
- Committed fund balance is the portion that is limited to specific purposes determined by a formal action of the Board of Education, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned fund balance displays the District's intended use of these resources. The assigned fund balance amounts are assigned by the chief financial officer, per the District policy.
- Unassigned fund balance represents resources with residual net resources.

Restricted fund balance consists of required TABOR reserves of \$850,000; debt service per covenants of \$1,439,839; \$91,884 for food services; \$327,294 for student activities; \$944,667 for capital projects; \$40,218 for preschool, \$6,713 for grants, \$507,177 for technology, and \$203,133 for insurance.

When determining categories of fund balance, it is assumed that the type of expenditure determines the primary use of fund balance. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Once the commitment or assignment is satisfied unassigned resources are used.

Net Position - Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, the District considers restricted funds to have been spent first.

Defined Benefit Pension Plan - 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.

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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. Most of these changes were in effect as of June 30, 2021.

Defined Benefit Other Post Employment Benefit (OPEB) Plan -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 inflow of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/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.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows and inflows of resources, revenues and expenditures (expenses). Actual results could differ from those estimates and assumptions used

Property Tax Revenue Recognition - Property taxes for a calendar year are certified by the Board of Education by December 15 and levied on assessed valuation by the county commissioners by December 22, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. Property taxes are payable in full by April 30 or in two equal installments due February 28 and June 15. The county bills and collects property taxes for all taxing districts in the county. The property tax receipts collected by the county are generally remitted to the District in the subsequent month.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are premiums related to medical benefits. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting - The District is required by Colorado Statutes to adopt annual budgets for all funds. Each budget is prepared on the same basis (GAAP basis) as that used for accounting purposes.

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The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the Superintendent's staff submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1.

The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain comments.

Prior to June 30, the budget is legally adopted through passage of a resolution by the Board of Education. However, the Board can review and change the adopted budget through January 31.

Formal budgetary integration is employed as a management control device during the year. Encumbrance accounting is employed by the District. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

2. **Cash and Investments**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. However, there is no custodial risk for public deposits because they are collateralized under the Colorado Public Deposit Protection Act (PDPA). The PDPA specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local governmental depositors as a group, with a market value at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statutes to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Colorado statutes define eligible investments for local governments. Those include bonds and other interest-bearing obligations of or guaranteed by the United States government or its agencies, bonds which are direct obligations of the State of Colorado or any of its political subdivisions, repurchase agreements, commercial paper, guarantee investment contracts and local government investment pools. The District has no investments exposed to custodial credit risk.

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Colorado revised statutes limits maturities to five years or less. The District has no investments exposed to interest rate risk.

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized

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statistical rating organization. Credit risk in the portfolio is minimized by investing the majority of asset in US Treasury and Instrumentalities which have the support of US government and failure to receive maturing funds is remote.

At June 30, 2021, the District had investments in one local governmental investment pool, the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, and Section 6. The fair value of the investments in COLOTRUST is the same as the value of the pool shares. None of these types of investments are categorized because they are not evidenced by securities that exist in physical or book entry form. COLOTRUST is rated AAAM from Standard and Poor's. Financial statements for COLOTRUST may be obtained at www.colotrust.com.

At June 30, 2021, the carrying amount of the District's cash and investments was \$19,160,575. The District's bank balances were \$2,692,571 and COLOTRUST balances were \$17,679,864. The District's bank balances at June 30, 2021 and during the year ended June 30, 2021 were entirely covered by FDIC insurance or pledged collateral held by the District's agent banks in the name of governmental accounts of which the District is a part.

3. *Interfund Balances and Transfers*

Balances of interfund receivables, payables and transfers at June 30, 2021 are as follows:

Fund	Due To	Due From	Transfer In	Transfer Out
General Fund	\$ 557,219			\$ 1,200,000
Food Service Fund			\$ 150,000	
Governmental Designated Purpose Grants Fund	202,419	\$ 756,395		
Student Activity Fund		3,243		
Capital Projects Fund			1,050,000	
Totals	<u>\$ 759,638</u>	<u>\$ 759,638</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>

All interfund receivables and payables are the result of normal business and are expected to be paid in the next two months or less.

4. *Federal and State Administered Grants*

Federal and state administered grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenues until earned. Receivables and Deferred Revenues at June 30, 2021 are as follows:

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Fund	Grant Number	Receivable	Unearned Revenue
General Fund			
State Grants			
From Colorado Community Colleges			
Vocational Education	3120	\$ 28,581	
From Colorado Department of Education			
AP Exam Grant	3270		\$ 511
Governmental Designated Purpose Grants Fund			
Local Grants		18,000	3,141
State Grants			
From Colorado Department of Education			
ELPA	3139		22,428
ELPA	3140		9,917
Expelled and At Risk Students	3183		
State Library Grant	3207		
School Health Professional	3218		50,930
Advanced Placement	3226		2,320
School Turnaround	3227		21,278
Rural School Funding	3230		
Career Certificate	3237		29,440
Connect for Success	3238		
Computer Science	3239		8,800
Retaining Teachers	3245		3
Read Act	3259		13,224
Connecting Colorado Students	3273		34,200
Other Grants			
Gifted and Talented	3150		14,806
Colorado Care Relief Act	3952		18,100
CHF Playground	3958		80,000
SSD Grant	3959		20
Federal Grants			
From Colorado Department of Education			
Title I	4010	341,771	
Title I ESSA Award	5010	84,766	
Title II Part A Teacher Quality	4367	14,409	
Education Stabilization Fund	4420	539,332	
Title V Part B Rural Education	4424	2,153	
Education Stabilization Fund	4425	48,934	
Title II Part B Math and Science Ptr	5366		
Education Stabilization Fund	5425	17,809	
Title VI Part B Rural and Low Income	6358	10,832	
School Improvement	7377		
Other Grants			
Title V Indian Education	4060	58,154	
Perkins	4048	56,550	
Title III English Language	4365	2,040	
Response Innovation and Student Equity	6425	79,486	
Medicaid			190,639
Capital Projects Fund			
Kindergarten Facility	3250		11,388
Totals		\$ 1,302,817	\$ 511,145

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5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021 follows:

	Capital Assets <u>July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	Capital Assets <u>June 30, 2021</u>
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 63,573,751	\$ 1,821,785		\$ 65,395,536
Equipment	3,386,530	275,154	\$ (327,844)	3,333,840
Less Accumulated Depreciation	(21,038,065)	(1,475,693)	327,844	(22,185,914)
Total Capital Assets, being depreciated	45,922,216	621,246	-	46,543,462
Capital Assets, not being depreciated				
Land	800,068			800,068
Total Governmental Activities Capital Assets	<u>\$ 46,722,284</u>	<u>\$ 621,246</u>	<u>\$ -</u>	<u>\$ 47,343,530</u>

Depreciation expense was charges as a direct expense to the following governmental programs:

Instruction	\$ 10,078
Operations and Maintenance	15,425
Transportation	101,046
Food Service Operations	1,898
Facility Acquisition	1,347,246
Total Depreciation Governmental Activities	<u>\$ 1,475,693</u>

6. Accrued Salaries

Certified instructors of the District are contracted for nine months annually between August 1 and June 1. These instructors, while only working nine months, are paid for their services in twelve equal monthly installments. On June 30 of each year they have completed their entire contract but have only received 10/12 of the related compensation with the difference to be paid over the summer break. The difference, totaling \$2,037,745, is reflected as an accrued expense at June 30, 2021.

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7. Long-Term Debt

Series 2012H Certificate of Participation, Tax Exempt Matching Money Bonds, Series 2013 General Obligation Bonds Payable - These general obligation bonds were issued November 27, 2012 and February 6, 2013, respectively, for the purpose of constructing a new high school. The Series 2012H Certificate of Participation Bonds of \$19,357,769 were used to match \$22,724,338 in State of Colorado BEST program funds as required under the State of Colorado Building Excellent Schools Today Qualified School Construction Program. The proceeds from the bonds were transferred to an account administered by the State of Colorado until needed for construction costs. In addition to the Series 2012H Certification of Participation Bonds and the BEST program funds, the District will use \$1,890,000 of Series 2013 General Obligation Bonds to finance new athletic fields for the District. The Series 2012H Certificate of Participation Bonds were issued at an interest rate of 3.01%. The Series 2013 General Obligation Bonds carry interest at 2% to 3%. The repayment of the bonds is recorded in the Debt Service Fund.

The annual requirement to amortize the bonds outstanding are as follows:

Fiscal Year Ending June 30	Series 2012H Certificates of Participation		Series 2013 General Obligation Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 912,098	\$ 375,521	\$ 85,000	\$ 35,925
2023	939,515	347,693	90,000	33,300
2024	967,756	319,027	95,000	30,525
2025	996,846	289,500	95,000	27,675
2026	1,026,810	259,086	100,000	24,750
2027-2029	5,616,001	806,234	540,000	76,800
2030-2032	2,489,839	75,396	235,000	7,125
Total	<u>\$ 12,948,865</u>	<u>\$ 2,472,457</u>	<u>\$ 1,240,000</u>	<u>\$ 236,100</u>

Changes in Long-Term Debt - A summary of changes in long-term debt follows:

	Long-Term Debt July 1, 2020	Issued	Retired	Long-Term Debt June 30, 2021
Long-Term Debt				
Series 2012H Certificate of Participation	\$ 13,834,347		\$ (885,482)	\$ 12,948,865
Series 2013 General Obligation Bonds	1,325,000		(85,000)	1,240,000
Total Long-Term Debt	<u>\$ 15,159,347</u>	<u>\$ -</u>	<u>\$ (970,482)</u>	<u>\$ 14,188,865</u>

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8. ***Fund Balance Restrictions and Assignments***

Restricted indicates that a portion of the fund balance can only be spent for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. Assigned indicates amounts that are designated for a specific purpose by the Board of Education but are not spendable until appropriated. The District uses the following restrictions and assignments:

Restricted

TABOR is required by an amendment to the State Constitution, Article X; Section 20, known as the Tabor Amendment, which requires local government units to establish emergency reserves. The designation is a minimum of three percent of the current fiscal year eligible expenditures. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Fund balance reserved for emergencies consists of \$850,000 in the General Fund.

Food service indicates the amount of fund balance that is restricted for future food service of the district. \$91,884 is restricted in the Food Service Fund.

Student activity indicates the amount of fund balance that is restricted for future student activities of the district. \$327,294 is restricted for the Student Activity Fund.

Debt Service indicates the amount of fund balance that is restricted for the repayment of the District's outstanding bonds. Fund balance restricted for debt service consists of \$1,439,839 in the Bond Redemption Fund.

Capital Projects indicates the amount of fund balance that is restricted for future capital projects. Fund balance restricted for capital project in the Capital Projects fund consists of \$944,667.

Preschool indicates the amount of fund balance of \$40,218 that is restricted to preschool expenses.

Grants, Technology, and Insurance indicates the amount of \$717,023 that is restricted for grant expense, insurance, and technology programs.

Committed represents property tax paid by Kinder Morgan of \$1,109,099. Kinder Morgan has appealed the assessed values for these funds and has appealed to the state. The Montezuma County (Cortez) Board of Education, per resolution, committed these funds until the process is resolved in the courts.

Assigned

Assigned for future expenditures - indicates anticipated fund balance available for appropriation in the next budget year. Fund balances assigned for future expenditures consist of \$12,003,189 in the General Fund.

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9. *Budgets and Budgetary Accounting*

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors throughout the year. Following is a summary of the revised budget, actual amount spent and variance.

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Activities			
General Fund	\$ 19,726,088	\$ 18,197,138	\$ 1,528,950
Food Service Fund	1,126,867	954,849	172,018
Governmental Designated			
Purpose Grants Fund	7,608,511	5,785,215	1,823,296
Student Activity Fund	821,628	153,808	667,820
Bond Redemption Fund	1,425,228	1,411,070	14,158
Capital Projects Fund	1,907,300	1,669,972	237,328
Business-Type Activities			
Internal Service Fund			
Self Insurance Fund	3,510,036	3,671,137	(161,101)

Appropriations are adopted by resolution for each fund in total and lapse at the end of each year. Over-expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations.

10. *Jointly Governed Organization*

The District is a participant among nine school districts in a jointly governed organization to operate the San Juan Board of Cooperative Educational Services (BOCES). The BOCES is a regional education service unit created under the "Board of Cooperative Services Act of 1965" of the Colorado Revised Statutes. The BOCES provides unique education services that the member districts could not provide individually on a cost-effective basis. The BOCES governing board is made up of representatives from each member district's board. The governing board control budgeting and fiscal matters. The District does not have an ongoing financial interest in or ongoing financial responsibility for the BOCES. Financial statements for the BOCES can be obtained by contacting the Director of Business Services at (970)247-3261. The District had no debt with BOCES at year end.

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11. **Defined Benefit 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, 2020. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2020, 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, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. §24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual

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Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 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 and benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions provisions as of June 30, 2021. Eligible employees, the District and the state are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq* and C.R.S. § 24-51-413. Eligible employees are required to contribute 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

	July 1, 2020 Through June 30, 2021
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.38%

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

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million (actual dollars) 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 the Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

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 \$2,636,169 for the year ended June 30, 2021.

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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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The District's proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of the participating employers and the State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-413, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

On June 30, 2021, the District reported a liability of \$35,816,561 for its proportionate share of the net pension liability. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 35,916,561
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	-
Total	<u><u>\$ 35,916,561</u></u>

On December 31, 2020, the Districts proportion was .2375750875 percent, which was an increase of .0145111316 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$(10,440,989) and revenue of \$0 for the support from the State as a nonemployer contributing entity. On June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,973,436	
Changes in assumptions or other inputs	3,455,062	\$ 6,037,270
Net difference between projected and actual earnings on pension plan investments	2,508,571	10,414,625
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,323,837	2,094,471
Contributions subsequent to the measurement date	1,392,445	
Total	<u>\$ 11,653,351</u>	<u>\$ 18,546,366</u>

\$1,392,445 reported as deferred outflows 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2022	\$ (7,111,627)
2023	1,243,145
2024	(1,169,754)
2025	(1,247,224)
Total	<u>\$ (8,285,460)</u>

Actuarial Assumptions – The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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

Post-retirement non-disabled mortality assumptions reflect 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

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

The actuarial assumptions used the December 31, 2019, valuation was 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.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculations of the total pension liability from December 31, 2019 to December 31, 2020.

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Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.40%-11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

The pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

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Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation, and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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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 3.00 percent.
- Employee contributions were assumed to be made at the current member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total services for future plan members
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars) commencing July 1, 2018, that is proportioned between the State, 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. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, 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

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position and the subsequent AIR benefit payments were estimated and included in the projections.

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

Based on the above assumptions and methods, the SCHDTF's FNP 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 that total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

	1 % Decrease (6.25%)	Current Discount Rate (7.25%)	1 % Increase (8.25)
Proportionate share of the net pension liability	\$ 48,993,131	\$ 35,916,561	\$ 25,019,470

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

12. *Other Post-Employment Benefits*

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 (Annual Report) that can be obtained a www.copera.org/investments/per-financial-reports.

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Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

PERA Benefit Structure

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

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

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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 District were \$135,256 for the year ended June 30, 2021.

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

At June 30, 2021 the District reported a liability of \$1,305,835 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The District proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the District proportion was .1374237366 percent, which was a decrease of .0083706172 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021 the District recognized OPEB expense of \$(131,467). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,466	\$ 287,085
Changes in assumptions or other inputs	9,757	80,073
Net difference between projected and actual earnings on pension plan investments	16,579	69,936
Changes in proportion and differences between contributions recognized and proportionate share of contributions		127,088
Contributions subsequent to the measurement date	71,443	
Total	<u>\$ 101,245</u>	<u>\$ 564,182</u>

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\$71,443 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2022	\$ (121,939)
2023	(114,475)
2024	(124,275)
2025	(117,149)
2026	(53,067)
2027	(3,475)
Total	<u>\$ (534,380)</u>

Actuarial assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	8.10% in 2020, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2020, gradually increasing to 4.50% in 2029

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

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Medicare Plan	Initial Costs for Members without Medicare Part A		Monthly Cost Adjusted to Age 65
	Monthly Cost	Monthly Premium	
Medicare Advantage/Self-Insured Rx	\$588	\$227	\$550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

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, 2019, 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 used to measure the total OPEB liability are summarized in the table below:

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Year	PERACare Medicare Plans	Medicare Part A
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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

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

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

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

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.

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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.

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40% ¹	N/A

¹ C.R.S. § 24-51-101 (46), as amended, expanded the definition of "State Troopers" to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA's 2020 Annual Report for more information.

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent. Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

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Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.

Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

13. *Defined Contribution Pension Plan*

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District has not agreed to match employee contributions. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2021, program members contributed \$200,806 to the Voluntary Investment Program.

14. *Risk Management*

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Colorado School Districts Self-Insurance Pool (The Pool). The Pool was formed in 1981 to provide 93-member school districts and related educational facilities with defined property and liability coverage through joint self-insurance and excess insurance. The District pays an annual premium for its general insurance coverage. The Pool is self-sustaining through member premiums and obtains excess insurance to limit per occurrence exposure to \$250,000.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

The District continues to carry commercial insurance for all other risks of loss including worker's compensation and employee health and accident insurance. There have been no settled claims that have exceeded insurance coverage in any of the past three fiscal years. There have been no significant decreases in insurance coverage from the prior year.

In addition, the District has established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss for employee health and accident insurance. Under this program, the Fund provides coverage from the purchase of commercial insurance for a specific deductible of \$130,000, with a maximum aggregate benefit of \$1,000,000.

The plan received premiums of \$3,057,934 and paid claims of \$3,671,137 for the fiscal year. \$3,049,132 of the premiums charged were paid by the District and member charter schools' as employee benefits.

15. *Tax, Spending, and Debt Limitations*

Colorado Voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The people of the District voted to authorize the spending of all monies in existing funds and to collect, retain, and expend the full revenue, including state grants and taxes, generated during fiscal year 1998 and for each subsequent year regardless of any limitation contained in Article X, Section 20, of the Colorado Constitution. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with all other requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

16. *Compliance with the Financial Policies and Procedures Handbook*

The school district is complying with the provisions of section 22-44-204(3), C.R.S., concerning the use of the Financial Policies and Procedures Handbook adopted by the State Board of Education." C.R.S. 29-1-603

17. *Commitments and Contingent Liabilities*

The District had received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. District management believes that disallowance, if any, would be immaterial to the basic financial statements.

18. *Compliance with Laws and Regulations*

The School may be in violation of State Statute. Expenditures exceeded appropriations in the Self Insurance Fund.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

Required Supplementary Information

June 30, 2021

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

Such information includes:

Schedule of the District's Pension Contributions

Schedule of the District's Proportionate Share of the Net Pension Liability

Schedule of the District's Other Post Employment Benefits (OPEB) Plan Contributions

Schedule of the District's Proportionate Share of the Net Other Post Employment
Benefit (OPEB) Plan Liability

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Schedule of the District's Pension Contributions

June 30, 2021
Last 10 Years*

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 2,636,169	\$ 2,510,866	\$ 2,511,281	\$ 2,299,634	\$ 2,212,965	\$ 2,178,998	\$ 2,052,694
Contributions in relation to the statutory required contribution	2,636,169	2,510,866	2,511,281	2,299,634	2,212,965	2,178,998	2,052,694
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 13,260,409	\$ 12,955,966	\$ 13,126,214	\$ 12,179,678	\$ 12,038,349	\$ 12,288,408	\$ 12,157,244
Contributions as a percentage of covered payroll	19.88%	19.38%	19.13%	18.88%	18.38%	17.73%	16.88%

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

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

Notes to Required Supplemental Information

See Note 11 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Schedule of the District's Proportionate Share of the Net Pension Liability

June 30, 2021
Last 10 Years*

	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Proportionate Share of the Net Pension Liability	0.23757509%	0.22306396%	0.23009700%	0.26350211%	0.27074664%	0.28121454%	0.28997445%
District's proportionate share of the Net Pension Liability	\$ 35,916,561	\$ 33,325,271	\$ 40,743,400	\$ 85,207,216	\$ 80,611,744	\$ 43,009,778	\$ 39,301,278
District's share of the State of Colorado's share of the Net Pension Liability as nonemployer contributing entity	\$ -	\$ 4,226,887	\$ 5,571,094				
Total Net Pension Liability	\$ 35,916,561	\$ 37,552,158	\$ 46,314,494				
District's covered payroll	\$ 12,701,894	\$ 12,955,966	\$ 12,646,275	\$ 12,155,662	\$ 12,133,120	\$ 12,251,192	\$ 12,141,293
District's proportionate share of the net pension liability as a percentage of its covered payroll	282.77%	257.22%	322.18%	700.97%	664.39%	351.07%	323.70%
Plan fiduciary net position as a percentage of the total pension liability	66.99%	64.50%	57.01%	43.96%	43.13%	59.20%	64.07%

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

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

Notes to Required Supplemental Information

See Note 11 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Schedule of the District's Other Post Employment Benefits (OPEB) Plan Contributions

June 30, 2021
Last 10 Years*

	2021	2020	2019	2018	2017
Statutorily required contributions	\$ 135,256	\$ 132,150	\$ 133,887	\$ 124,233	\$ 122,791
Contributions in relation to the statutory required contribution	135,256	13,150	133,887	124,233	122,791
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 119,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 13,260,409	\$ 12,955,996	\$ 13,126,214	\$ 12,179,678	\$ 12,038,349
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%

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

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

Notes to Required Supplemental Information

See Note 12 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Schedule of the District's Proportionate Share of the Net Other Post Employment Benefit (OPEB) Plan Liability

June 30, 2021
Last 10 Years*

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
Proportionate Share of the Net Pension Liability	0.13742374%	0.14579435%	0.14956427%	0.14972096%	0.15389561%
District's proportionate share of the Net Pension Liability	\$ 1,305,835	\$ 1,638,726	\$ 2,034,885	\$ 1,945,774	\$ 1,995,309
District's covered payroll	\$ 12,701,894	\$ 12,955,966	\$ 12,646,275	\$ 12,155,662	\$ 12,133,120
District's proportionate share of the net pension liability as a percentage of its covered payroll	10.28%	12.65%	16.09%	16.01%	16.45%
Plan fiduciary net position as a percentage of the total pension liability	32.78%	24.50%	17.03%	17.53%	16.72%

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

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

Notes to Required Supplemental Information

See Note 12 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

Other Supplementary Information

June 30, 2021

Other supplementary information includes financial statements and schedules not required by the GASB, or as part of the basic financial statements, but are presented for purposes of additional analysis.

These statements and schedules include:

Budgetary Comparison Schedules

- Debt Service Fund

 - Bond Redemption Fund

- Capital Projects Fund

 - Capital Projects Fund

- Proprietary Fund

 - Self Insurance Fund

Component Units Combining Statements

- Statement of Net Position

- Statement of Activities

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual Bond Redemption Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property tax	\$ 1,300,000	\$ 1,305,610	\$ 1,191,089	\$ (114,521)
Earnings on investments	9,600	21,300	1,836	(19,464)
Other	3,000		3,875	3,875
Total local sources	1,312,600	1,326,910	1,196,800	(130,110)
Total revenues	1,312,600	1,326,910	1,196,800	(130,110)
Expenditures				
Debt Service				
Interest	454,746	454,746	440,588	14,158
Principal	970,482	970,482	970,482	-
Total expenditures	1,425,228	1,425,228	1,411,070	14,158
Excess revenue over (under) expenditures	(112,628)	(98,318)	(214,270)	(115,952)
Net change in fund balance	(112,628)	(98,318)	(214,270)	(115,952)
Fund balance beginning of the year	1,514,797	1,600,864	1,654,109	53,245
Fund balance end of the year	<u>\$ 1,402,169</u>	<u>\$ 1,502,546</u>	<u>\$ 1,439,839</u>	<u>\$ (62,707)</u>

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Revenues				
Local sources				
Earnings on investments	\$ 15,000	\$ 15,000	\$ 1,477	\$ (13,523)
Other local			96,577	96,577
Total local sources	15,000	15,000	98,054	83,054
State sources				
Grants	161,044	161,044	113,159	(47,885)
Total state sources	161,044	161,044	113,159	(47,885)
Federal sources				
Cash in Lieu of taxes	15,000	15,000	15,462	462
Total federal sources	15,000	15,000	15,462	462
Total Revenues	191,044	191,044	226,675	35,631
Expenditures				
Instructional Program		17,246	9,098	8,148
Support Programs				
Business administration		100	15	85
Plant operation and maintenance		83,267	57,873	25,394
Student transportation		264,659	213,339	51,320
Food service operations		13,881	13,734	147
Facilities acquisition	1,907,300	1,528,147	1,375,913	152,234
Total Expenditures	1,907,300	1,907,300	1,669,972	237,328
Excess revenues over (under) expenditures	(1,716,256)	(1,716,256)	(1,443,297)	272,959
Other Financing Sources (Uses)				
Transfers in (out)	1,650,000	1,650,000	1,050,000	(600,000)
Total Other Financing Sources (Uses)	1,650,000	1,650,000	1,050,000	(600,000)
Net Changes in Fund Balances	(66,256)	(66,256)	(393,297)	(327,041)
Fund Balances beginning of the year	824,761	1,337,964	1,337,964	-
Fund Balances end of the year	\$ 758,505	\$ 1,271,708	\$ 944,667	\$ (327,041)

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
Proprietary Fund
Internal Service Fund
Self Insurance Fund

For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>(Non GAAP Basis)</u> <u>Actual</u>	<u>Variance</u> <u>Favorable</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Unfavorable)</u>
Operating Revenues				
Premium revenue	\$ 3,015,807	\$ 3,015,806	\$ 3,057,934	\$ 42,128
Total local sources	3,015,807	3,015,806	3,057,934	42,128
Operating Expenses				
Central service				
Administration fees	375,000	163,428	464,667	(301,239)
Medical and Prescription Claims	3,055,000	3,346,608	3,206,470	140,138
Total operating expenses	3,430,000	3,510,036	3,671,137	(161,101)
Operating income (loss)	(414,193)	(494,230)	(613,203)	(118,973)
Non-Operating Revenue				
Local sources				
Earnings on investments	6,000	1,800	648	(1,152)
Change in net position non GAAP basis	(408,193)	(492,430)	(612,555)	(120,125)
Net position beginning of the year	1,451,793	1,401,174	1,401,174	-
Net position end of the year	\$ 1,043,600	\$ 908,744	\$ 788,619	\$ (120,125)

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

Combining Statement of Net Position

Component Units

June 30, 2021

	Battlerock Charter School	Southwest Open School	Children's KIVA Montessori Charter School	Total
Assets				
Cash and investments	\$ 257,360	\$ 1,321,086	\$ 342,282	\$ 1,920,728
Due from RE-1 School District	9,337	3,313	7,108	19,758
Other receivables			9,701	9,701
Grants receivable		84,983		84,983
Prepaid expenses			38,947	38,947
Capital assets - net of depreciation	152,425	774,597	1,839,175	2,766,197
Total Assets	419,122	2,183,979	2,237,213	4,840,314
Deferred Outflows of Resources				
Pensions, net of accumulated amortization	563,663	684,047	615,127	1,862,837
OPEB, net of accumulated amortization	14,837	4,921	16,003	35,761
Total Deferred Outflows of Resources	578,500	688,968	631,130	1,898,598
Liabilities				
Accounts payable			10,287	10,287
Due to RE-1 School District	2,944	28,767	31,574	63,285
Accrued salaries and benefits payable	39,216	109,331	73,810	222,357
Unearned grant revenue		5,349		5,349
Notes payable			25,248	25,248
Long-term liabilities				
Notes payable			1,215,797	1,215,797
Net pension liability	970,788	1,963,309	1,322,441	4,256,538
Net OPEB liability	35,260	71,368	48,028	154,656
Total Liabilities	1,048,208	2,178,124	2,727,185	5,953,517
Deferred Inflows of Resources				
Unearned revenue - property tax				
Pensions, net of accumulated amortization	444,678	1,115,584	668,271	2,228,533
OPEB, net of accumulated amortization	11,802	36,073	21,806	69,681
Total Deferred Inflows of Resources	456,480	1,151,657	690,077	2,298,214
Net Position				
Net investment in capital assets	152,425	774,597	623,378	1,550,400
Restricted				
TABOR	25,000	45,000	39,517	109,517
Student activity	7,475			7,475
Capital projects		313,736		313,736
Unrestricted	(691,966)	(1,590,167)	(1,211,814)	(3,493,947)
Total Net Position	\$ (507,066)	\$ (456,834)	\$ (548,919)	\$ (1,512,819)

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

Combining Statement of Activities

Component Units

For the Year Ending June 30, 2021

	Battlerock Charter School	Southwest Open School	Children's KIVA Montessori Charter School	Total
Governmental Activities				
Expenses				
Instruction Program Services	\$ 413,049	\$ 323,373	\$ 529,910	\$ 1,266,332
Support Program Services	341,068	747,855	449,874	1,538,797
Total Expenses	<u>754,117</u>	<u>1,071,228</u>	<u>979,784</u>	<u>2,805,129</u>
Business-type Activities				
Expenses				
Building corporation			128,665	128,665
Total Expenses			<u>128,665</u>	<u>128,665</u>
Program Revenues				
Charges for services		36,249	106,375	142,624
Operating grants and contributions	222,228	671,045	224,841	1,118,114
Capital grants and contributions	25,264	39,938	165,735	230,937
Total Program Revenues	<u>247,492</u>	<u>747,232</u>	<u>496,951</u>	<u>1,491,675</u>
General Revenues				
Per pupil charter school allocation	651,913	1,030,577	1,081,320	2,763,810
Intergovernmental				
Public Lands	1,973	38,985		40,958
Contributions			372	372
Other	20,585	22,513	32	43,130
Total General Revenues	<u>674,471</u>	<u>1,092,075</u>	<u>1,081,724</u>	<u>2,848,270</u>
Changes in Net Position	<u>167,846</u>	<u>768,079</u>	<u>470,226</u>	<u>1,406,151</u>
Net Position Beginning of the Year	(674,912)	(1,224,913)	(1,019,145)	(2,918,970)
Net Position End of the Year	<u><u>\$ (507,066)</u></u>	<u><u>\$ (456,834)</u></u>	<u><u>\$ (548,919)</u></u>	<u><u>\$ (1,512,819)</u></u>

INFORMATION REQUIRED BY OVERSIGHT AUTHORITIES

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INDEPENDENT AUDITORS' 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

To the Board of Education
Montezuma County (Cortez) School District RE-1
Cortez, Colorado 81321

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montezuma County (Cortez) School District RE-1 as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Montezuma County (Cortez) School District RE-1's basic financial statements and have issued our report thereon dated December 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montezuma County (Cortez) School District RE-1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Montezuma County (Cortez) School District RE-1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Montezuma County (Cortez) School District RE-1'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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 charges with governance.

Our consideration of internal control over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montezuma County (Cortez) School District RE-1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Majors and Haley PC

Majors and Haley, P.C.
December 10, 2021

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Certified Public Accountants

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Lori Hasty Haley, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Montezuma County (Cortez) School District RE-1
Cortez, Colorado 81321

Report on Compliance for Each Major Federal Program

We have audited the Montezuma County (Cortez) School District RE-1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Montezuma County (Cortez) School District RE-1's major federal programs for the year ended June 30, 2021. The Montezuma County (Cortez) School District RE-1'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Montezuma County (Cortez) School District RE-1'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, an 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 Montezuma County (Cortez) School District RE-1'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 on the Montezuma County (Cortez) School District RE-1's compliance.

Opinion on Each Major Federal Program

In our opinion, the Montezuma County (Cortez) School District RE-1 complied, in all material respects, with the 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, 2021.

Report on Internal Control Over Compliance

Management of the Montezuma County (Cortez) School District RE-1 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 Montezuma County (Cortez) School District RE-1'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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 Montezuma County (Cortez) School District RE-1'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 control 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, detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Majors and Haley PC

Majors and Haley, P.C.
December 10, 2021

MONTEZUMA COUNTY (CORTEZ SCHOOL) DISTRICT RE-1
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Child Nutrition Cluster-Cluster			
United States Department of Agriculture			
School Breakfast Program	10.553	Colorado Department of Education,4553	3,546
National School Lunch Program	10.555	Colorado Department of Education,4555	13,973
National School Lunch Program	10.555	Colorado Department of Human Services	67,995
Total National School Lunch Program			81,968
Special Milk Program for Children	10.556	Colorado Department of Education,4556	695
Summer Food Service Program for Children	10.559	Colorado Department of Education,4559	737,686
Total United States Department of Agriculture			823,895
Total Child Nutrition Cluster-Cluster			823,895
Other Programs			
Department of Education			
Title I Grants to Local Educational Agencies	84.010	Colorado Department of Education,4010	1,195,897
Title I Grants to Local Educational Agencies	84.010	Colorado Department of Education,5010	214,881
Total Title I Grants to Local Educational Agencies			1,410,778
Impact Aid	84.041		814,824
Career and Technical Education -- Basic Grants to States	84.048	Colorado Community College System	60,939
Indian Education Grants to Local Educational Agencies	84.060		168,008
Rural Education	84.358	Colorado Department of Education,6358	69,029
English Language Acquisition State Grants	84.365	Colorado Department of Education,4365	9,651
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	Colorado Department of Education,4367	183,289
Student Support and Academic Enrichment Program	84.424	Colorado Department of Education,4424	31,256
Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act			
Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act	84.425	Colorado Department of Education,4420	539,332
Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act	84.425	Colorado Department of Education,6425	28,773
Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act	84.425	Colorado Department of Education,4425	546,081
Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act	84.425	Colorado Department of Education,5425	80,029
Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act	84.425	Colorado Department of Education,5525	15,000
Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act	84.425	St Vrain Valley School District,6425	69,301
Total Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act			1,278,516
Total Department of Education			4,026,290
Department of the Treasury			
Coronavirus Relief Fund	21.019	Colorado Department of Education,4012	1,298,438
Coronavirus Relief Fund	21.019	Colorado Department of Education,6012	40,000
Coronavirus Relief Fund	21.019	Colorado Department of Education,5012	116,274
Total Coronavirus Relief Fund			1,454,712
Total Department of the Treasury			1,454,712
Total Other Programs			5,481,002
Total Expenditures of Federal Awards			\$ 6,304,897

The accompanying notes are an integral part of this schedule

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2021

Organization

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of Montezuma County (Cortez) School District RE-1 for the year ended June 20, 2021. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies, are included on the schedule.

Basis Of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this 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*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Indirect Costs

The District has not elected to use the 10% *de minimis* indirect cost rate as allowed in the Uniform Guidance, Section 414.

Food Distribution

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

Sub-recipients

Montezuma County (Cortez) School District RE-1 had no sub-recipients of federal funds for the year ended June 30, 2021.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

Section 1- Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified Opinion		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	_____ X _____	no
Significant deficiency(ies) identified			
not considered to be material weaknesses?	_____ yes	_____ X _____	no

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ yes	_____ X _____	no
Significant deficiency(ies) identified			
not considered to be material weaknesses?	_____ yes	_____ X _____	no

Type of auditors' report issued on compliance for major programs:	Unmodified Opinion
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Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	_____ yes	_____ X _____	no
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
84.010	Title I Grants to Local Educational Agencies
84.425	Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act

Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee	_____ X _____	yes	_____ no
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Section 2- Findings under Generally Accepted Government Auditing Standards

There were no findings required to be reported under Generally Accepted Government Auditing Standards

Section 3- Findings and Questioned Costs Under Uniform Guidance

There were no findings or questioned cost for federal awards as defined in the Uniform Guidance.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2021

There were no prior year findings or questioned costs noted that were reportable under the Uniform Guidance criteria.

MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

SCHEDULE OF CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2021

There were no audit findings to be included in the current audit report; therefore, a corrective action plan is not necessary.



Colorado Department of Education
Auditors Integrity Report
District: 2035 - Montezuma-Cortez RE-1
Fiscal Year 2020-21
Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	12,657,298	19,351,924	17,539,756	14,469,466
18 Risk Mgmt Sub-Fund of General Fund	177,880	235,995	210,743	203,133
19 Colorado Preschool Program Fund	26,801	478,286	464,868	40,218
Sub- Total	12,861,979	20,066,205	18,215,367	14,712,816
11 Charter School Fund	1,170,044	3,371,798	3,201,440	1,340,403
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	35,610	1,020,118	954,849	100,879
22 Govt Designated-Purpose Grants Fund	8,218	6,423,128	6,424,632	6,713
23 Pupil Activity Special Revenue Fund	333,384	165,474	164,090	334,769
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,654,109	1,196,800	1,411,070	1,439,840
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,707,063	1,354,146	1,802,806	1,258,402
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	17,770,406	33,597,669	32,174,253	19,193,822
Proprietary				
50 Other Enterprise Funds	610,992	227,030	128,665	709,357
64 (63) Risk-Related Activity Fund	1,401,174	9,450	622,005	788,619
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	2,012,165	236,480	750,670	1,497,975
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

FINAL