

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

Independent Accountants' Reports  
And  
Basic Financial Statements

June 30, 2023

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

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**INDEPENDENT AUDITOR'S REPORT**

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

**Opinions**

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, 2023, and the related notes to the financial statements, which collectively comprise the Montezuma County (Cortez) School District RE-1's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the 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, 2023, 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.

We did not audit the financial statements of the Children's KIVA Montessori Charter School, Inc, which represent 46.51 percent, 41.4 percent, and 41.33 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. 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.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Montezuma County (Cortez) School District RE-1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Montezuma County (Cortez) School District RE-1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Montezuma County (Cortez) School District RE-1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Montezuma County (Cortez) School District RE-1's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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 the 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 is the responsibility of management and, 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.

### **Supplementary 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 budget to actual comparison schedules and combining charter school fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and the report of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023 on our consideration of the Montezuma County (Cortez) School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Montezuma County (Cortez) School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montezuma County (Cortez) School District's internal control over financial reporting and compliance.



Majors and Haley PC

Cortez, Colorado

November 30, 2023

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

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

As of and for the Year Ended June 30, 2023

### ***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, 2023. 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 \$4,376,233.
  - Of this increase \$1,318,772 was the net change in governmental funds. This is a decrease of \$1,108,150 from \$2,426,922 in the previous year.
  - The internal service fund had a net increase of \$50,954. The previous year had a loss of \$351,245.
  - The increase also included the result of the District's share of PERA pension and OPEB plan benefit which, in net, totaled \$1,776,438.
  - The remaining \$1,230,069 was from the GASB 34 conversion.
- The District's total revenue was \$38,636,999 which is an increase of \$6,343,875 from \$32,293,124 in the prior year.
  - General revenues (primarily state equalization and property tax) accounted for \$23,907,043 in revenue or 61.88% of all revenues. Program specific revenues in the form of charges for services and grants account for \$14,729,956 the remaining 38.12%.
- The District incurred \$34,260,766 in expenses which is an increase of \$14,970,428 from \$19,290,338 in the prior year. \$9,587,937 of these expenses were offset by program specific charges for services, grants, and contributions. The general revenues of \$23,907,043 was adequate, by \$4,376,233, 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, 2023

- The General Fund reported a \$943,957 increase in fund balance from \$16,019,011 in the prior year to \$16,962,968. This is an increase of 5.9%.
  - The General Fund revenues increased \$1,428,093 from \$23,388,497 to \$24,816,590, for an 6.1% increase.
  - The General Fund expenditures increased (including transfers) \$1,790,330 from \$22,082,303 in the prior year to \$23,872,633. This is an 8.1% increase.

### **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 Districts 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, 2023

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, 2023

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 \$24,406,288 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 \$34,567,852 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 \$5,973,538 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; \$551,219 is for food service; \$375,679 is for student activity; \$1,606,452 is for the repayment of the general obligation bonds; \$1,772,454 is for the capital projects; \$264,311 is for preschool and \$553,423 is for Grants, technology and insurance.

The remaining (\$16,135,102) is unrestricted net position. The negative balance is due to a net pension and OPEB plan benefits of \$31,927,795, 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, 2023, and 2022.

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

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

As of and for the Year Ended June 30, 2023

**Table 1**

Comparative Summary Statement of Net Position  
At June 30

	Governmental Activities	
	2023	2022
Assets		
Current assets	\$ 25,050,071	\$ 23,411,802
Capital assets, net of depreciation	46,730,104	46,529,560
Total assets	71,780,175	69,941,362
Deferred Outflows of Resources	12,908,277	7,055,347
Liabilities		
Current liabilities	3,159,830	2,907,185
Noncurrent liabilities	44,457,017	40,196,456
Total liabilities	47,616,847	43,103,641
Deferred Inflows of Resources	12,665,317	13,863,013
Net Position		
Invested in capital assets	34,567,852	33,337,783
Restricted	5,973,538	5,469,992
Unrestricted	(16,135,102)	(18,777,720)
Total net position	\$ 24,406,288	\$ 20,030,055

At the close of the most recent fiscal year current assets of \$25,050,071, comprised 34.9% of total assets, increasing from 33.5% in the prior year. The investments in capital assets, less depreciation make up the remaining 65.1% of assets. Accrued wages and benefits of \$2,046,401, represent 64.8% 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 increased \$252,645 from \$2,907,185 in the prior year to \$3,159,830. There was a net increase in noncurrent liabilities from the prior year of \$4,260,561. 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, 2023

The following table indicates the summary of Changes in Net Position for Governmental Activities in the fiscal year 2023 and 2022.

**Table 2**

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

	Governmental Activities	
	2023	2022
Revenues		
Program revenues		
Charges for services	\$ 4,033,689	\$ 747,275
Operating grants and contributions	10,557,201	8,735,266
Capital grants and contributions	139,066	105,396
General revenues		
Taxes	13,545,977	12,510,306
State Equalization - net	9,432,907	9,693,657
Other	928,159	501,224
Total revenues	<u>38,636,999</u>	<u>32,293,124</u>
Expenses		
Instructional program services	15,170,309	7,889,331
Support program services	19,090,457	11,401,007
Total expenses	<u>34,260,766</u>	<u>19,290,338</u>
Increase (decrease) in net position	<u>\$ 4,376,233</u>	<u>\$ 13,002,786</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 \$9,307.04 per funded student up from \$8,756.33 the prior year. In fiscal year 2023 the funded pupil count was 2,616.4. Charter Schools accounted for 341.5 of this funded pupil count. Funding for the SFA comes from property taxes, specific ownership taxes and state equalization. The District receives approximately 54.73 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, 2023

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	
	2023	2022	2023	2022
Instructional program services	\$ 15,170,309	\$ 7,889,331	\$ 9,475,427	\$ 3,269,200
Support program services	19,090,457	11,401,007	10,055,383	6,433,201
Total	<u>\$ 34,260,766</u>	<u>\$ 19,290,338</u>	<u>\$ 19,530,810</u>	<u>\$ 9,702,401</u>

- The cost of all governmental activities during the year was \$34,260,766.
- Some of the cost was financed by the users of the District's programs (\$4,033,689).
- Federal and state government subsidized \$10,696,267.
- However, most of the District's costs (\$23,907,043) were financed by State and District taxpayers. This portion of governmental activities was financed for the most part with \$9,432,907 in state equalization, net of per pupil charter school allocation, from the School Finance Act of 1994 (SFA) and \$13,545,977 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 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues and other financing sources of \$35,229,138 and expenditures and other financing uses of \$33,910,366.

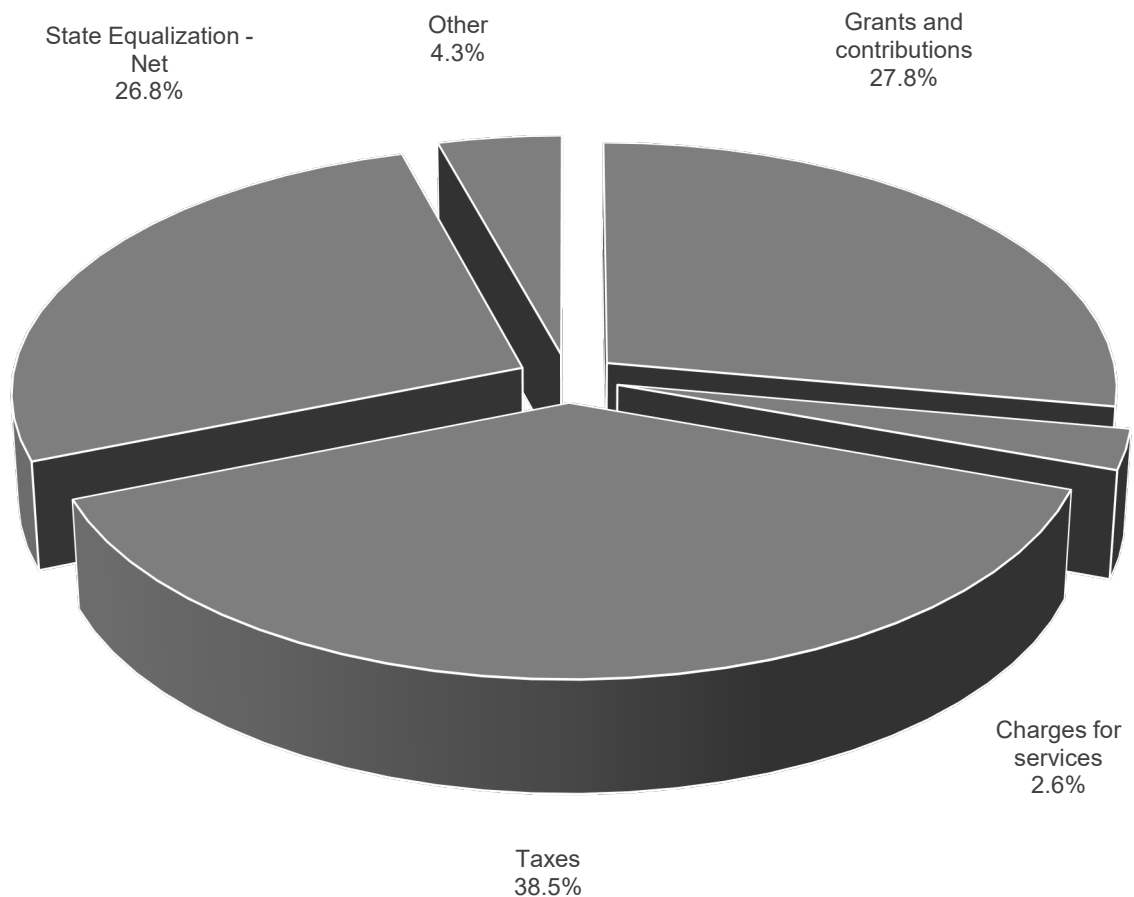
# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2023

State equalization and taxes accounted for most of the District's governmental funds total revenue, with each contributing 26.8 percent and 38.5 percent, respectively. Another 27.8 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 2023



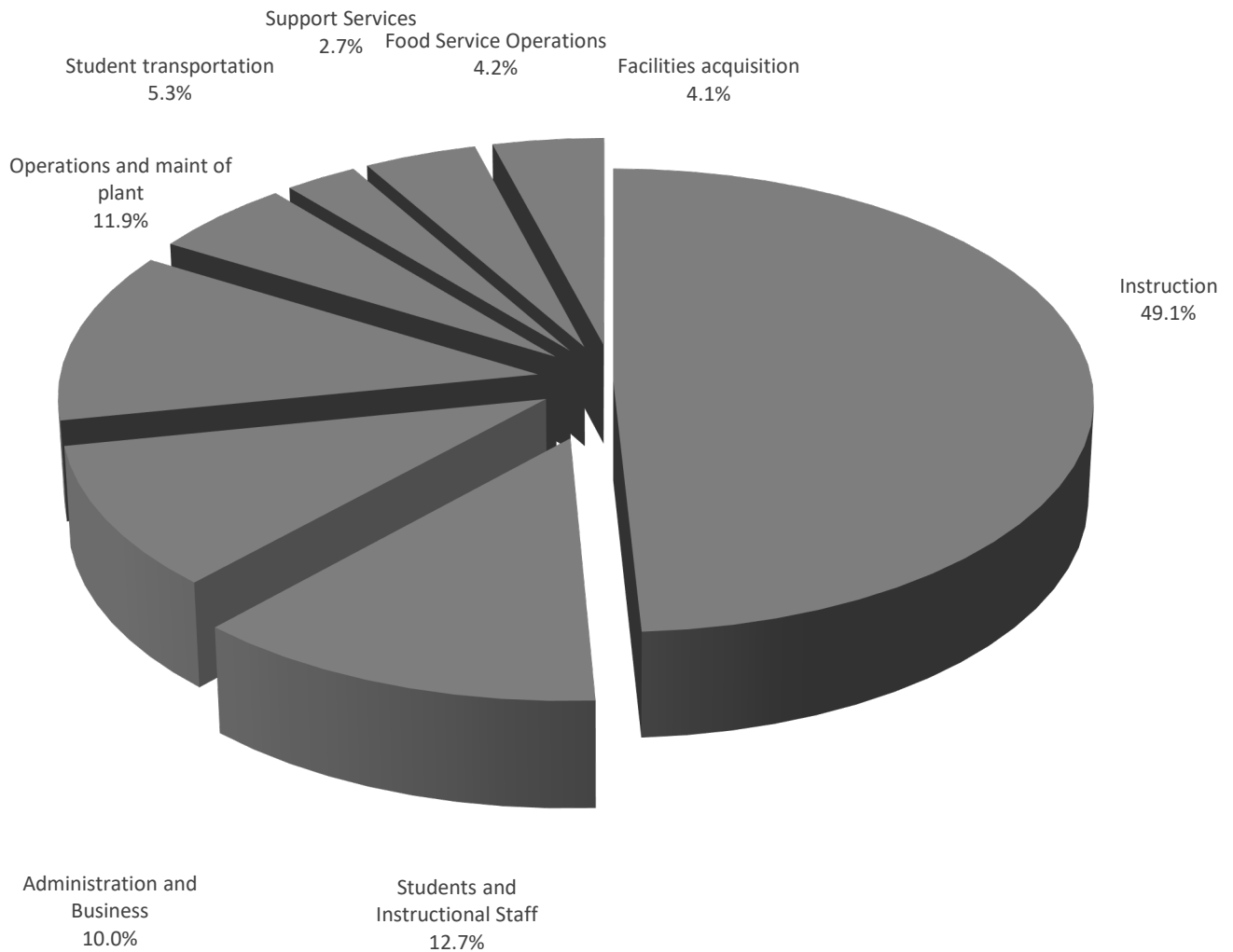
# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2023

The District's expenses are predominately related to instruction, (49.1 percent). The District's administrative and business activities accounted for 10.0 percent of total costs. See Table 5.

**Table 5**  
Expenses for Fiscal Year 2023



# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2023

### ***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 \$319,455 over budget.

### ***CAPITAL ASSET ADMINISTRATION***

By the end of fiscal year 2023, the District has invested \$71,773,569 in land, buildings, and equipment (including vehicles). Table 6 shows capital assets for 2023 compared to 2022:

**Table 6**  
Capital Assets  
At June 30

	Governmental Activities	
	2023	2022
Land	\$ 800,068	\$ 800,068
Buildings	66,259,988	65,481,516
Equipment	4,713,513	3,975,627
Total	<u>\$ 71,773,569</u>	<u>\$ 70,257,211</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, 2023

#### ***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, 2022, the balance of these bonds was \$13,191,767. During fiscal year 2023 the District paid principal of \$1,029,515 to take the balance at June 30, 2023 to \$12,162,252. 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, 2023

	Primary Government Governmental Activities	Component Units Charter Schools
<b>Assets</b>		
Cash and investments	\$ 22,924,080	\$ 2,087,136
Cash with fiscal agent	77,535	
Taxes receivable	335,337	
Due from District Charter Schools	29,918	(22,992)
Intergovernmental accounts receivable	14,984	19,989
Grants receivable	1,661,829	
Other receivables	3,216	15,413
Inventories	3,172	
Prepaid expenses		25,973
Capital assets - net of depreciation	46,730,104	3,610,651
<b>Total Assets</b>	<u>71,780,175</u>	<u>5,736,170</u>
<b>Deferred Outflows of Resources</b>		
Pensions, net of accumulated amortization	12,638,881	1,975,162
OPEB, net of accumulated amortization	269,396	66,792
<b>Total Deferred Outflows of Resources</b>	<u>12,908,277</u>	<u>2,041,954</u>
<b>Liabilities</b>		
Accounts payable	128,310	18,201
Intergovernmental payable		16,880
Accrued salaries and benefits payable	2,046,401	232,504
Unearned revenue		18,011
Grants unearned revenue	985,119	
Long-term liabilities		
Due within one year	1,062,756	27,806
Due in more than one year	11,099,496	1,162,743
Net pension liability	31,231,675	4,698,545
Net OPEB liability	1,063,090	160,032
<b>Total Liabilities</b>	<u>47,616,847</u>	<u>6,334,722</u>
<b>Deferred Inflows of Resources</b>		
Unearned revenue - property tax	124,010	
Pensions, net of accumulated amortization	11,903,862	880,670
OPEB, net of accumulated amortization	637,445	74,795
<b>Total Deferred Inflows of Resources</b>	<u>12,665,317</u>	<u>955,465</u>
<b>Net Position</b>		
Net investment in capital assets	34,567,852	2,420,102
Restricted		
TABOR	850,000	141,500
Food service	551,219	
Student activity	375,679	34,172
Debt service	1,606,452	
Capital projects	1,772,454	379,733
Preschool	264,311	
Grants	5,959	
Technology	314,278	
Insurance	233,186	
Unrestricted	(16,135,102)	(2,487,570)
<b>Total Net Position</b>	<u>\$ 24,406,288</u>	<u>\$ 487,937</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, 2023

		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					
<b>Primary Government</b>						
<b>Governmental Activities</b>						
Instructional program services	\$ 15,170,309	\$ 650,588	\$ 5,044,294		\$ (9,475,427)	
Support program services	19,090,457	3,383,101	5,512,907	\$ 139,066	(10,055,383)	
<b>Total Governmental Activities</b>	<u>34,260,766</u>	<u>4,033,689</u>	<u>10,557,201</u>	<u>139,066</u>	<u>(19,530,810)</u>	
<b>Total Primary Government</b>	<u>\$34,260,766</u>	<u>\$ 4,033,689</u>	<u>\$ 10,557,201</u>	<u>\$ 139,066</u>	<u>(19,530,810)</u>	
<b>Component Units - Charter Schools</b>	<u>\$ 5,483,083</u>	<u>\$ 19,845</u>	<u>\$ 1,848,948</u>	<u>\$ 222,677</u>		\$ (3,391,613)
<b>General Revenues</b>						
Property tax for general purposes					10,813,207	
Property tax for repayment of debt					1,480,021	
Specific ownership tax for general purposes					1,252,749	
Earnings on investments					590,245	
Loss on the sale of assets						
Intergovernmental						
State Equalization					12,611,261	
Per pupil charter school allocation					(3,178,354)	3,178,355
Mineral leasing					129,116	
Public lands					33,798	46,283
Miscellaneous					175,000	240,855
<b>Total General Revenues</b>					<u>23,907,043</u>	<u>3,465,493</u>
<b>Changes in Net Position</b>					4,376,233	73,880
Net Position Beginning of the Year					20,030,055	414,057
<b>Net Position End of the Year</b>					<u>\$ 24,406,288</u>	<u>\$ 487,937</u>

The accompanying notes are an integral part of this statement.

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

Governmental Funds  
Balance Sheet

June 30, 2023

	General Fund	Food Service Fund	Governmental Designated-Purpose Grants Fund	Student Activity Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>							
Cash and investments	\$ 17,796,964	\$ 624,780	\$ 282,473	\$ 371,989	\$ 1,576,070	\$ 1,794,374	\$ 22,446,650
Cash with fiscal agent	36,535				5,000		41,535
Taxes receivable	295,061				40,276		335,337
Interfund receivable	733,016		136,619	3,412			873,047
Due from Charter Schools	45,336						45,336
Intergovernmental accounts receivable	14,984						14,984
Grants receivable			1,661,829				1,661,829
Other receivable		3,216					3,216
Inventories		3,172					3,172
<b>Total Assets</b>	<b>\$ 18,921,896</b>	<b>\$ 631,168</b>	<b>\$ 2,080,921</b>	<b>\$ 375,401</b>	<b>\$ 1,621,346</b>	<b>\$ 1,794,374</b>	<b>\$ 25,425,106</b>
<b>Liabilities</b>							
Due to Charter Schools	\$ 4,887					\$ 10,531	\$ 15,418
Interfund payable	6,155		\$ 830,401			11,389	847,945
Accounts payable	87,733		40,855	\$ (278)			128,310
Accrued salaries and benefits payable	1,745,187	\$ 76,777	224,437				2,046,401
Grants unearned revenue	5,850		979,269				985,119
<b>Total Liabilities</b>	<b>1,849,812</b>	<b>76,777</b>	<b>2,074,962</b>	<b>(278)</b>		<b>21,920</b>	<b>4,023,193</b>
<b>Deferred Inflows of Resources</b>							
Unearned revenue - property tax	109,116				\$ 14,894		124,010
	<u>109,116</u>		-		<u>14,894</u>		<u>124,010</u>
<b>Fund Balances</b>							
Non spendable		3,172					3,172
Restricted							
TABOR	850,000						850,000
Food service		551,219					551,219
Student activity				375,679			375,679
Debt service					1,606,452		1,606,452
Capital projects						1,772,454	1,772,454
Preschool	264,311						264,311
Grants			5,959				5,959
Technology	314,278						314,278
Insurance	233,186						233,186
Unrestricted							
Assigned for next year's expenditures	15,301,193						15,301,193
<b>Total Fund Balances</b>	<b>16,962,968</b>	<b>554,391</b>	<b>5,959</b>	<b>375,679</b>	<b>1,606,452</b>	<b>1,772,454</b>	<b>21,277,903</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 18,921,896</b>	<b>\$ 631,168</b>	<b>\$ 2,080,921</b>	<b>\$ 375,401</b>	<b>\$ 1,621,346</b>	<b>\$ 1,794,374</b>	<b>\$ 25,425,106</b>

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

**Total Fund Balance Governmental Funds** \$ 21,277,903

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	\$ 71,773,569
Accumulated depreciation	(25,043,465)
	<u>46,730,104</u>

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	(1,062,756)
Due in more than one year	(11,099,496)
Net pension liability	(31,231,675)
Deferred outflows of resources related to pensions - net	12,638,881
Deferred inflows of resources related to pensions - net	(11,903,862)
Net OPEB liability	(1,063,090)
Deferred outflows of resources related to OPEB - net	269,396
Deferred inflows of resources related to OPEB - net	(637,445)
	<u>(44,090,047)</u>

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.

488,328

**Total Net Position Governmental Activities** \$ 24,406,288

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, 2023

	General Fund	Food Service Fund	Governmental Designated-Purpose Grants Fund	Student Activity Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>							
Local sources							
Taxes	\$ 12,065,956				\$ 1,480,021		\$ 13,545,977
Other	860,799	\$ 190,583	\$ 594,604	\$ 381,500	37,915	\$ 214,474	2,279,875
Intermediate sources	162,865						162,865
State sources							
State Equalization	12,611,261						12,611,261
Per pupil charter school allocation	(3,178,354)						(3,178,354)
Grants	1,439,049	14,405	628,211			139,066	2,220,731
Federal sources							
Grants	855,014	957,592	5,757,476				7,570,082
Other						16,701	16,701
<b>Total Revenues</b>	<b>24,816,590</b>	<b>1,162,580</b>	<b>6,980,291</b>	<b>381,500</b>	<b>1,517,936</b>	<b>370,241</b>	<b>35,229,138</b>
<b>Expenditures</b>							
Instructional program services	12,991,234		2,591,732	385,213			15,968,179
Support program services							
Students	685,556		1,968,255				2,653,811
Instructional staff	849,575		611,538				1,461,113
General administration	666,054						666,054
School administration	1,909,719		66,043				1,975,762
Business	535,468		82,429				617,897
Plant operation and maintenance	2,416,078		1,318,511			134,026	3,868,615
Student transportation	1,295,197		74,970			347,174	1,717,341
Central support services	542,591		3,509				546,100
Other support services	331,161						331,161
Food service operations		1,150,111	170,382			35,889	1,356,382
Facilities acquisition			92,922			1,244,521	1,337,443
Debt service			-		1,410,508		1,410,508
<b>Total Expenditures</b>	<b>22,222,633</b>	<b>1,150,111</b>	<b>6,980,291</b>	<b>385,213</b>	<b>1,410,508</b>	<b>1,761,610</b>	<b>33,910,366</b>
Excess revenues over (under) expenditures	<b>2,593,957</b>	<b>12,469</b>	<b>-</b>	<b>(3,713)</b>	<b>107,428</b>	<b>(1,391,369)</b>	<b>1,318,772</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in (out)	(1,650,000)	150,000				1,500,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,650,000)</b>	<b>150,000</b>				<b>1,500,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>943,957</b>	<b>162,469</b>	<b>-</b>	<b>(3,713)</b>	<b>107,428</b>	<b>108,631</b>	<b>1,318,772</b>
Fund Balances Beginning of the Year	16,019,011	391,922	5,959	379,392	1,499,024	1,663,823	19,959,131
<b>Fund Balances End of the Year</b>	<b>\$ 16,962,968</b>	<b>\$ 554,391</b>	<b>\$ 5,959</b>	<b>\$ 375,679</b>	<b>\$ 1,606,452</b>	<b>\$ 1,772,454</b>	<b>\$ 21,277,903</b>

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, 2023

<b>Net Change in Fund Balances Governmental Funds</b>	\$	1,318,772
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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	\$ 1,891,367		
Depreciation expense	(1,690,813)		
			200,554

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			1,029,515
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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	2,908,957		
Cost of pension benefits earned net of employee contributions	(247,427)		
Support from the State of Colorado	(1,070,248)		
OPEB contributions	145,591		
Cost of OPEB benefits earned net of employee contributions	39,565		
			1,776,438

The change in net position of the internal service fund is reported with governmental activities.			50,954
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<b>Change in Net Position of Governmental Activities</b>	\$	<u><u>4,376,233</u></u>
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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, 2023

	<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>
<b>Revenues</b>				
Local sources				
Property taxes	\$ 10,059,953	\$ 10,507,960	\$ 10,813,207	\$ 305,247
Specific ownership tax	1,183,924	1,284,251	1,252,749	(31,502)
Charges for services	176,000	206,000	351,965	145,965
Other	261,551	456,551	508,834	52,283
Intermediate sources				
Mineral Lease	155,000	130,000	129,116	(884)
Public School Lands	88,000	36,000	33,749	(2,251)
State sources				
State Equalization	13,532,240	12,637,972	12,611,261	(26,711)
Per pupil charter school allocation	(3,318,440)	(3,318,440)	(3,178,354)	140,086
Grants	959,149	925,649	1,439,049	513,400
Federal sources				
Grants	750,000	751,350	855,014	103,664
<b>Total Revenues</b>	<u>23,847,377</u>	<u>23,617,293</u>	<u>24,816,590</u>	<u>1,199,297</u>
<b>Expenditures</b>				
Instructional Program	15,130,530	12,897,629	12,991,234	(93,605)
Support Programs				
Students	493,460	612,357	685,556	(73,199)
Instructional staff	1,020,036	1,090,906	849,575	241,331
General administration	536,734	511,468	666,054	(154,586)
School administration	493,000	1,970,105	1,909,719	60,386
Business	431,160	432,799	535,468	(102,669)
Plant operation and maintenance	1,945,800	2,276,468	2,416,078	(139,610)
Student transportation	966,000	913,164	1,295,197	(382,033)
Central support services	969,548	1,055,082	542,591	512,491
Other support services	109,396	143,200	331,161	(187,961)
<b>Total Expenditures</b>	<u>22,095,664</u>	<u>21,903,178</u>	<u>22,222,633</u>	<u>(319,455)</u>
Excess revenues over (under) expenditures	<u>1,751,713</u>	<u>1,714,115</u>	<u>2,593,957</u>	<u>879,842</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(521,614)	(1,200,000)	(1,650,000)	(450,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(521,614)</u>	<u>(1,200,000)</u>	<u>(1,650,000)</u>	<u>(450,000)</u>
Net Change in Fund Balances	1,230,099	514,115	943,957	429,842
Fund Balances beginning of the year	14,768,814	688,867	16,019,011	15,330,144
<b>Fund Balances end of the year</b>	<u>\$ 15,998,913</u>	<u>\$ 1,202,982</u>	<u>\$ 16,962,968</u>	<u>\$ 15,759,986</u>

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, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
<b>Revenues</b>				
Local sources				
Food sales	\$ 55,000	\$ 55,000	\$ 190,070	\$ 135,070
Other	60	60	513	453
State sources				
Grants	10,000	10,000	14,405	4,405
Federal sources				
Grants	779,500	779,500	957,592	178,092
Total local sources	844,560	844,560	1,162,580	318,020
<b>Expenditures</b>				
Support programs				
Food service operations	1,164,000	1,164,000	1,150,111	13,889
<b>Total Expenditures</b>	1,164,000	1,164,000	1,150,111	13,889
Excess revenue over (under) expenditures	(319,440)	(319,440)	12,469	331,909
<b>Other Financing Sources (Uses)</b>				
Transfers In	100,000	200,000	150,000	(50,000)
<b>Total Other Financing Sources (Uses)</b>	100,000	200,000	150,000	(50,000)
Net change in fund balance	(219,440)	(119,440)	162,469	281,909
Fund balance beginning of the year	291,905	241,922	391,922	150,000
Fund balance end of the year	\$ 72,465	\$ 122,482	\$ 554,391	\$ 431,909

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, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
<b>Revenues</b>				
Local sources				
Grants	\$ 4,078	\$ 655,122	\$ 594,604	\$ (60,518)
State sources				
Grants	362,764	653,064	628,211	(24,853)
Federal sources				
Grants	13,529,577	12,221,391	5,757,476	(6,463,915)
<b>Total Revenues</b>	<b>13,896,419</b>	<b>13,529,577</b>	<b>6,980,291</b>	<b>(6,549,286)</b>
<b>Expenditures</b>				
Instructional Program	5,986,706	4,353,168	2,591,732	1,761,436
Support Programs				
Students	1,196,528	1,928,639	1,968,255	(39,616)
Instructional staff	2,804,045	1,101,476	611,538	489,938
General administration	241,505	35,273		35,273
School administration		75,000	66,043	8,957
Business	80,421	80,610	82,429	(1,819)
Plant operation and maintenance	3,587,214	5,886,208	1,318,511	4,567,697
Student transportation		44,044	74,970	(30,926)
Central support services		21,728	3,509	18,219
Food service operations				-
Other support services		3,431	170,382	(166,951)
Facilities acquisition			92,922	(92,922)
<b>Total Expenditures</b>	<b>13,896,419</b>	<b>13,529,577</b>	<b>6,980,291</b>	<b>6,549,286</b>
Excess revenues over (under) expenditures	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balances beginning of the year			5,959	5,959
<b>Fund Balances end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,959</b>	<b>\$ 5,959</b>

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, 2023

	<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>
<b>Revenues</b>				
Local sources				
Other	\$ 300,000	\$ 300,000	\$ 381,500	\$ 81,500
Total local sources	300,000	300,000	381,500	81,500
<b>Total Revenues</b>	300,000	300,000	381,500	81,500
<b>Expenditures</b>				
Instructional program services	300,000	350,000	385,213	(35,213)
Total Expenditures	300,000	350,000	385,213	(35,213)
<b>Total Expenditures</b>	300,000	350,000	385,213	(35,213)
Net Change in Fund Balances	-	(50,000)	(3,713)	46,287
Fund Balances beginning of the year	373,200	379,392	379,392	-
<b>Fund Balances end of the year</b>	<u>\$ 373,200</u>	<u>\$ 329,392</u>	<u>\$ 375,679</u>	<u>\$ 46,287</u>

The accompanying notes are an integral part of this statement.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**Proprietary Fund  
Statement of Net PositionJune 30, 2023

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
	<u>Self-Insurance Fund</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and investments	\$        477,430
Cash with fiscal agent	36,000
<b>Total Current Assets</b>	<u>            513,430</u>
<b>Total Assets</b>	<u>            513,430</u>
<b>Liabilities</b>	
Interfund payable	25,102
<b>Total Liabilities</b>	<u>            25,102</u>
<b>Net Position</b>	
Reserve for inventories	
Unrestricted	488,328
<b>Total Net Position</b>	<u><u>            \$        488,328</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, 2023

	Governmental Activities
	Internal Service Fund
	Self-Insurance Fund
<b>Operating Revenues</b>	
Premiums	\$ 2,736,973
Other	372,668
<b>Operating Expenses</b>	
Central service	
Purchased services	
Other	(3,062,758)
Operating income (loss)	<u>46,883</u>
<b>Non-Operating Revenue (Expense)</b>	
Local sources	
Earnings on investments	4,071
<b>Net income (loss)</b>	<u>50,954</u>
Net Position Beginning of the Year	437,374
<b>Net Position End of the Year</b>	<u><u>\$ 488,328</u></u>

The accompanying notes are an integral part of this statement.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**Proprietary Funds  
Statement of Cash FlowsFor the Year Ended June 30, 2023

	Governmental Activities
	Internal Service Fund
	Self-Insurance Fund
<b>Cash Flows from Operating Activities</b>	
Cash received from premiums	\$ 2,736,973
Cash received from local sources	372,668
Cash payments to suppliers for goods and services	(3,062,758)
<b>Net Cash Flows provided (used) by Operating Activities</b>	<u>46,883</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from interfund borrowings	25,102
<b>Net Cash Flows provided (used) by Capital and Related     Financing Activities</b>	<u>25,102</u>
<b>Cash Flows from Investing Activities</b>	
Earnings on investments	4,071
<b>Net Cash Flows provided (used) by Investing Activities</b>	<u>4,071</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	76,056
Cash and Cash Equivalents Beginning of the Year	437,374
<b>Cash and Cash Equivalents End of the Year</b>	<u>\$ 513,430</u>
<b>Reconciliation of operating income (loss) to Net     Cash provided (used) by Operating Activities</b>	
Operating income (loss)	\$ 46,883
Total adjustments	
<b>Net Cash Flows provided (used) by Operating Activities</b>	<u>\$ 46,883</u>

The accompanying notes are integral part of this statement.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

### 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, 2023

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, 2023

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



# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**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 \$1,606,452; \$551,219 for food services; \$375,679 for student activities; \$1,772,454 for capital projects; \$264,311 for preschool, \$5,959 for grants, \$314,278 for technology, and \$233,186 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.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**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.

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.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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 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, 2023, the District had investments in one local governmental investment pool, the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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](http://www.colotrust.com).

At June 30, 2023, the carrying amount of the District's cash and investments was \$22,924,080. The District's bank balances were \$5,258,689 and COLOTRUST balances were \$18,619,230. The District's bank balances at June 30, 2023 and during the year ended June 30, 2023 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, 2023 are as follows:

Fund	Due To	Due From	Transfer In	Transfer Out
General Fund	\$ 733,016	\$ 6,155		\$ 1,650,000
Food Service Fund			\$ 150,000	
Governmental Designated Purpose Grants Fund	136,619	830,401		
Student Activity Fund	3,412			
Capital Projects Fund		11,389	1,500,000	
Internal Service Fund Self Insurance Fund		25,102		
Totals	<u>\$ 873,047</u>	<u>\$ 873,047</u>	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</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, 2023 are as follows:

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

Fund	Grant Number	Receivable	Unearned Revenue
General Fund			
State Grants			
AP Exam Grant	3270		\$ 2,544
Federal Grants			
From Colorado Department of Education			
ELC Covid 19	7323		3,306
Governmental Designated Purpose Grants Fund			
Local Grants		\$ 110,000	145,270
State Grants			
From Colorado Department of Education			
ELPA	3140		7,267
School Counselor Grant	3192		34,521
School Health Professional	3218		8,487
School Turnaround	3227		117,441
Student Engagement	3231		22,748
Read Act	3259		22,492
Menstrual Hygiene Products	3277		35
Post Secondary	3284		15,000
Other Grants			
SSD Grant	3959		367,500
Federal Grants			
From Colorado Department of Education			
Title I	4010	397,682	
Title III ELA	4365	806	
Title II Part A Teacher Quality	4367	7,702	
Education Stabilization Fund	4414	735,920	
Education Stabilization Fund	4419	92,526	
Education Stabilization Fund	4420		12,574
Title V Part B Rural Education	4424	18,363	
Education Stabilization Fund	4434	50,000	
Education Stabilization Fund	4437	10,000	
Education Stabilization Fund	4438	90,693	
Education Stabilization Fund	4449	26,124	
Title I	5010	12,600	
Charter School Grant	5282	82,699	
Title VI Part B Rural and Low Income	6358	16,255	
Child Care Assistance Block Grant	7575		79,517
Other Grants			
Title V Indian Education	4060	10,459	
Medicaid			146,417
Totals		\$ 1,661,829	\$ 985,119

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS June 30, 2023

### 5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023 follows:

	Capital Assets <u>July 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	Capital Assets <u>June 30, 2023</u>
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 65,481,516	\$ 778,472		\$ 66,259,988
Equipment	3,975,627	1,112,895	\$ (375,009)	4,713,513
Less Accumulated Depreciation	(23,727,661)	(1,690,813)	375,009	(25,043,465)
Total Capital Assets, being depreciated	45,729,482	200,554	-	45,930,036
Capital Assets, not being depreciated				
Land	800,068			800,068
Total Governmental Activities Capital Assets	<u>\$ 46,529,550</u>	<u>\$ 200,554</u>	<u>\$ -</u>	<u>\$ 46,730,104</u>

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

Instruction	\$ 14,634
Support Services Admin	7,496
Operations and Maintenance	28,306
Transportation	179,453
Food Service Operations	6,383
Facility Acquisition	1,454,541
Total Depreciation Governmental Activities	<u>\$ 1,690,813</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 \$2,046,401, is reflected as an accrued expense at June 30, 2023.



# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

### 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:

<u>Fiscal Year Ending June 30</u>	<u>Series 2012H</u> <u>Certificates of Participation</u>		<u>Series 2013</u> <u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	1,057,675	227,757	100,000	21,750
2028	1,089,467	195,487	105,000	18,675
2029-2032	5,958,698	458,386	570,000	43,500
Total	<u>\$ 11,097,252</u>	<u>\$ 1,749,243</u>	<u>\$ 1,065,000</u>	<u>\$ 166,875</u>

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

	<u>Long Term</u> <u>Debt</u> <u>July 1, 2022</u>	<u>Issued</u>	<u>Retired</u>	<u>Long Term</u> <u>Debt</u> <u>June 30, 2023</u>
Long-Term Debt				
Series 2012H Certificate of Participation	\$ 12,036,767		\$ (939,515)	\$ 11,097,252
Series 2013 General Obligation Bonds	1,155,000		(90,000)	1,065,000
Total Long-Term Debt	<u>\$ 13,191,767</u>	<u>\$ -</u>	<u>\$ (1,029,515)</u>	<u>\$ 12,162,252</u>

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

### 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. \$551,219 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. \$375,679 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 \$1,606,452 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 \$1,772,454.

**Preschool** indicates the amount of fund balance of \$264,311 that is restricted to preschool expenses.

**Grants, Technology, and Insurance** indicates the amount of \$553,423 that is restricted for grant expense, insurance, and technology programs.

#### ***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 \$15,301,193 in the General Fund.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

### 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	\$ 21,903,178	\$ 22,222,633	\$ (319,455)
Food Service Fund	1,164,000	1,150,111	13,889
Governmental Designated			
Purpose Grants Fund	13,529,577	6,980,291	6,549,286
Student Activity Fund	350,000	385,213	(35,213)
Bond Redemption Fund	1,410,508	1,410,508	-
Capital Projects Fund	2,822,567	1,761,610	1,060,957
Business-Type Activities			
Internal Service Fund			
Self Insurance Fund	3,502,168	3,062,758	439,410

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 local 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.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

### 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](http://www.copera.org/investments/pera-financial-reports).

**Benefits Provided** – as of December 31, 2022. 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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, 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 the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. 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 the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap 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, 2023:** Eligible employees of, the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023. Employer contribution requirements are summarized in the table below:

	July 1, 2022 Through June 30, 2023
Employer contribution rate	11.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)
Amount apportioned to the SCHDTF	10.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
<b>Total employer contribution rate to the SCHDTF</b>	<b>20.38%</b>

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

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 \$2,908,957 for the year ended June 30, 2023.

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. As specified in C.R.S. § 24-51-414, the State is required to contribute a \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to PERA in the amount of \$380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires an additional direct distribution of approximately \$14.5 million (actual dollars), for a total of approximately \$49.5 million (actual dollars) to be contributed July 1, 2023.

### **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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the total pension liability to December 31, 2022. The District's proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2022 relative to the total contributions of the participating employers and the State as a nonemployer contributing entity.

At June 30, 2023, the District reported a liability of \$31,231,675 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	\$ 31,231,675
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	9,101,224
Total	<u><u>\$ 40,332,899</u></u>

On December 31, 2022, the Districts proportion was .1715134136 percent, which was a decrease of .0498294977 percent from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$(1,591,282) and revenue of \$1,070,248 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:

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 295,574	
Changes in assumptions or other inputs	553,215	
Net difference between projected and actual earnings on pension plan investments	9,761,493	\$ 5,565,930
Changes in proportion and differences between contributions recognized and proportionate share of contributions	515,403	6,337,932
Contributions subsequent to the measurement date	1,513,196	
Total	<u>\$ 12,638,881</u>	<u>\$ 11,903,862</u>

\$1,513,196 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, 2024. 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,	
2024	\$ (2,188,061)
2025	(1,804,326)
2026	773,837
2027	2,440,373
Total	<u>\$ (778,177)</u>

**Actuarial Assumptions** – The TLP in the December 31, 2021 actuarial valuation was determined using the following cost method, actuarial assumptions and other inputs:

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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	7.25%
investment expenses, including price inflation Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07	1.00%
PERA benefit structure hired after 12/31/06 <sup>1</sup>	
Financed by the AIR and DPS benefit structure (compounded annually)	

<sup>1</sup> 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.

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

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% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% 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% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

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



# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

The actuarial assumptions used in the December 31, 2021, valuation was based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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.

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% 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
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	6.00%	4.70%
<b>Total</b>	<b>100.00%</b>	

Note: 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 nominal rate of return assumption of 7.25%.

*Discount rate.* The discount rate used to measure the TPL was 7.25%. 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%.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions 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, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial 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 FNP 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.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. 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	\$ 40,871,521	\$ 31,231,675	\$ 23,181,419

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](http://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](http://www.copera.org/investments/per-financial-reports).

**Benefits provided.** The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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.

**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

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

contributions. Employer contributions recognized by the HCTF from District were \$145,591 for the year ended June 30, 2023.

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

At June 30, 2023 the District reported a liability of \$1,063,090 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The District proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the District proportion was .1302042332 percent, which was an decrease of .0143158798 percent from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023 the District recognized OPEB expense of \$185,156. At June 30, 2023, 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	\$ 138	\$ 257,091
Changes in assumptions or other inputs	17,087	117,332
Net difference between projected and actual earnings on pension plan investments	116,604	51,672
Changes in proportion and differences between contributions recognized and proportionate share of contributions	59,833	211,350
Contributions subsequent to the measurement date	75,734	
Total	<u>\$ 269,396</u>	<u>\$ 637,445</u>

\$75,734 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

Year ended June 30,

2024	\$ (144,787)
2025	(138,018)
2026	(76,886)
2027	(20,218)
2028	(51,289)
2029	(12,585)

Total	<u>\$ (443,783)</u>
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**Actuarial assumptions.** The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method			Entry age	
Price inflation			2.30%	
Real wage growth			0.70%	
Wage inflation			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%	N/A
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			6.50% in 2022, gradually decreasing to 4.50% in 2030	
Medicare Part A premiums			3.75% in 2022, gradually increasing to 4.50% in 2029	

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

### DPS benefit structure:

Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

### Age-Related Morbidity Assumptions

<b>Participant Age</b>	<b>Annual Increase</b>	<b>Annual Increase</b>
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and	0.0%	0.0%

<b>Sample Age</b>	<b>MAPD PPO #1 with Medicare Part A</b>		<b>MAPD PPO #2 with Medicare Part A</b>		<b>MAPD HMO (Kaiser) with Medicare Part A</b>	
	<b>Retiree/Spouse</b>		<b>Retiree/Spouse</b>		<b>Retiree/Spouse</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

65	\$1,704	\$1,450	\$583	\$496	\$1,923	\$1,634
70	\$1,976	\$1,561	\$676	\$534	\$2,229	\$1,761
75	\$2,128	\$1,681	\$728	\$575	\$2,401	\$1,896

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$6,514	\$5,542	\$4,227	\$3,596	\$6,752	\$5,739
70	\$7,553	\$5,966	\$4,901	\$3,872	\$7,826	\$6,185
75	\$8,134	\$6,425	\$5,278	\$4,169	\$8,433	\$6,657

The 2022 Medicare Part A premium is \$499 (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, 2021, 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 TOL are summarized in the table below:



# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

Year	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed on a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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.

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% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

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

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% 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% 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 following health care costs assumptions were updated and used in the roll-forward calculation for the HCTF:

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA Board's actuary, as discussed above.

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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.

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:

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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	6.00%	4.70%
<b>Total</b>	<b>100.00%</b>	

Note: 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 nominal rate of return assumption of 7.25%.

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB liability	\$ 1,232,436	\$ 1,063,090	\$ 918,245

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2022, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index 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 proportionate share of the net OPEB liability to changes in the discount rate.** The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25 percent) or one-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 1,033,000	\$ 1,063,090	\$ 1,095,831

*OPEB plan fiduciary net position.* Detailed information about the HCTF's FNP is available in PERA's ACFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

### **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](http://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, 2023, program members contributed \$172,232 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.

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 \$3,133,095 and paid claims of \$3,850,672 for the fiscal year. \$3,133,095 of the premiums charged were paid by the District and member charter schools as employee benefits.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

### **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 General Fund and the Student Activity Fund.

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

Required Supplementary Information

June 30, 2023

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, 2023  
Last 10 Years\*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 2,908,957	\$ 2,700,767	\$ 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	2,908,957	2,700,767	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	\$ 14,273,584	\$ 13,585,347	\$ 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	20.38%	19.88%	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. Information is not available for years prior to 2015.

**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, 2023  
Last 10 Years\*

	12/31/2022	12/31/2021	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	0.17151341%	0.22134291%	0.23757509%	0.22306396%	0.23009700%	0.26350211%	0.27074664%	0.28121454%	0.28997445%
District's proportionate share of the Net Pension Liability	\$ 31,231,675	\$ 25,758,485	\$ 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	\$ 9,101,224	\$ 2,649,186	\$ -	\$ 4,226,887	\$ 5,571,094				
Total Net Pension Liability	\$ 40,332,899	\$ 28,407,671	\$ 35,916,561	\$ 37,552,158	\$ 46,314,494				
District's covered payroll	\$ 14,273,584	\$ 13,872,037	\$ 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	218.81%	185.69%	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	61.79%	74.86%	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. Information is not available for years prior to 2015.

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, 2023  
Last 10 Years\*

	2023	2022	2021	2020	2019	2018	2017
Statutorily required contributions	\$ 145,591	\$ 138,570	\$ 135,256	\$ 132,150	\$ 133,887	\$ 124,233	\$ 122,791
Contributions in relation to the statutory required contribution	145,591	138,570	135,256	132,150	133,887	124,233	122,791
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 14,273,584	\$ 13,585,347	\$ 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%	1.02%	1.02%

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

\* Fiscal year 2018 was the 1st year of implementation. Information is not available for years prior to 2017

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, 2023  
Last 10 Years\*

	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Proportionate Share of the Net Pension Liability	0.14452011%	0.14452011%	0.13742374%	0.14579435%	0.14956427%	0.14972096%	0.15389561%
District's proportionate share of the Net Pension Liability	\$ 1,063,090	\$ 1,246,204	\$ 1,305,835	\$ 1,638,726	\$ 2,034,885	\$ 1,945,774	\$ 1,995,309
District's covered payroll	\$ 14,273,584	\$ 13,872,037	\$ 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	7.45%	8.98%	10.28%	12.65%	16.09%	16.01%	16.45%
Plan fiduciary net position as a percentage of the total pension liability	38.57%	39.40%	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 2018 was the 1st year of implementation. Information is not available for years prior to 2017

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, 2023

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, 2023

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources				
Property tax	\$ 1,413,582	\$ 1,413,582	\$ 1,480,021	\$ 66,439
Earnings on investments	5,000	40,000	37,866	(2,134)
Other			49	49
Total local sources	1,418,582	1,453,582	1,517,936	64,354
<b>Total revenues</b>	1,418,582	1,453,582	1,517,936	64,354
<b>Expenditures</b>				
Debt Service				
Interest	380,993	380,993	380,993	-
Principal	1,029,515	1,029,515	1,029,515	-
Total expenditures	1,410,508	1,410,508	1,410,508	-
<b>Excess revenue over (under) expenditures</b>	8,074	43,074	107,428	64,354
Net change in fund balance	8,074	43,074	107,428	64,354
Fund balance beginning of the year	1,356,547	1,484,042	1,499,024	14,982
<b>Fund balance end of the year</b>	<u>\$ 1,364,621</u>	<u>\$ 1,527,116</u>	<u>\$ 1,606,452</u>	<u>\$ 79,336</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, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
<b>Revenues</b>				
Local sources				
Earnings on investments	\$ 1,000	\$ 15,000	\$ 39,474	\$ 24,474
Other local			175,000	175,000
Total local sources	1,000	15,000	214,474	199,474
State sources				
Grants	85,000	110,000	139,066	29,066
Total state sources	85,000	110,000	139,066	29,066
Federal sources				
Cash in Lieu of taxes	20,000	20,000	16,701	(3,299)
Total federal sources	20,000	20,000	16,701	(3,299)
<b>Total Revenues</b>	106,000	145,000	370,241	225,241
<b>Expenditures</b>				
Support Programs				
Plant operation and maintenance	47,000	126,073	134,026	(7,953)
Student transportation	549,000	505,662	347,174	158,488
Food service operations		45,000	35,889	9,111
Facilities acquisition	2,409,750	2,145,832	1,244,521	901,311
<b>Total Expenditures</b>	3,005,750	2,822,567	1,761,610	1,060,957
Excess revenues over (under) expenditures	(2,899,750)	(2,677,567)	(1,391,369)	1,286,198
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	2,487,114	1,500,000	1,500,000	-
<b>Total Other Financing Sources (Uses)</b>	2,487,114	1,500,000	1,500,000	-
Net Changes in Fund Balances	(412,636)	(1,177,567)	108,631	1,286,198
Fund Balances beginning of the year	412,636	1,663,823	1,663,823	-
<b>Fund Balances end of the year</b>	\$ -	\$ 486,256	\$ 1,772,454	\$ 1,286,198

**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, 2023

	Budgeted Amounts		(Non GAAP Basis) Actual	Variance Favorable
	Original	Final	Amounts	(Unfavorable)
<b>Operating Revenues</b>				
Premium revenue	\$ 3,150,000	\$ 3,150,000	\$ 2,736,973	\$ (413,027)
Other revenue	120,000	250,000	372,668	122,668
Total local sources	3,270,000	3,400,000	3,109,641	(290,359)
<b>Operating Expenses</b>				
Central service				
Administration fees	452,168	452,168	324,680	127,488
Medical and Prescription Claims	3,050,000	3,050,000	2,738,078	311,922
<b>Total operating expenses</b>	3,502,168	3,502,168	3,062,758	439,410
Operating income (loss)	(232,168)	(102,168)	46,883	149,051
<b>Non-Operating Revenue</b>				
Local sources				
Earnings on investments	500	3,000	4,071	1,071
<b>Change in net position non GAAP basis</b>	(231,668)	(99,168)	50,954	150,122
Net position beginning of the year	231,668	437,374	437,374	-
Net position end of the year	\$ -	\$ 338,206	\$ 488,328	\$ 150,122



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

Combining Statement of Net Position

Component Units

June 30, 2023

	Battlerock Charter School	Southwest Open School	Children's KIVA Montessori Charter School	Total
<b>Assets</b>				
Cash and investments	\$ 375,203	\$ 1,368,745	\$ 343,188	\$ 2,087,136
Due from RE-1 School District	9,260	10,729		19,989
Other receivables			15,413	15,413
Prepaid expenses			25,973	25,973
Capital assets - net of depreciation	340,458	976,077	2,294,116	3,610,651
<b>Total Assets</b>	<b>724,921</b>	<b>2,355,551</b>	<b>2,678,690</b>	<b>5,759,162</b>
<b>Deferred Outflows of Resources</b>				
Pensions, net of accumulated amortization	626,260	947,590	401,312	1,975,162
OPEB, net of accumulated amortization	22,824	30,644	13,324	66,792
<b>Total Deferred Outflows of Resources</b>	<b>649,084</b>	<b>978,234</b>	<b>414,636</b>	<b>2,041,954</b>
<b>Liabilities</b>				
Accounts payable			18,201	18,201
Due to RE-1 School District	22,992			22,992
Intergovernmental payable		16,880		16,880
Accrued salaries and benefits payable	41,985	142,613	47,906	232,504
Unearned grant revenue		18,011		18,011
Long-term liabilities				
Due in one year			27,806	27,806
Due in more than one year			1,162,743	1,162,743
Net pension liability	1,123,651	2,179,290	1,395,604	4,698,545
Net OPEB liability	38,316	74,189	47,527	160,032
<b>Total Liabilities</b>	<b>1,226,944</b>	<b>2,430,983</b>	<b>2,699,787</b>	<b>6,357,714</b>
<b>Deferred Inflows of Resources</b>				
Unearned revenue - property tax				
Pensions, net of accumulated amortization	200,251	512,125	168,294	880,670
OPEB, net of accumulated amortization	15,357	36,297	23,141	74,795
<b>Total Deferred Inflows of Resources</b>	<b>215,608</b>	<b>548,422</b>	<b>191,435</b>	<b>955,465</b>
<b>Net Position</b>				
Net investment in capital assets	340,458	976,077	1,103,567	2,420,102
Restricted				
TABOR	35,000	60,000	46,500	141,500
Student activity	34,172			34,172
Capital projects	8,373	371,360		379,733
Unrestricted	(486,550)	(1,053,057)	(947,963)	(2,487,570)
<b>Total Net Position</b>	<b>\$ (68,547)</b>	<b>\$ 354,380</b>	<b>\$ 202,104</b>	<b>\$ 487,937</b>

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

Combining Statement of Activities

Component Units

For the Year Ending June 30, 2023

	Battlerock Charter School	Southwest Open School	Children's KIVA Montessori Charter School	Total
<b>Governmental Activities</b>				
<b>Expenses</b>				
Instruction Program Services	\$ 617,978	\$ 1,147,920	\$ 1,412,901	\$ 3,178,799
Support Program Services	414,955	820,958	1,068,371	2,304,284
<b>Total Expenses</b>	<u>1,032,933</u>	<u>1,968,878</u>	<u>2,481,272</u>	<u>5,483,083</u>
<b>Program Revenues</b>				
Charges for services			19,845	19,845
Operating grants and contributions	269,359	788,515	791,074	1,848,948
Capital grants and contributions	30,126	142,700	49,851	222,677
<b>Total Program Revenues</b>	<u>299,485</u>	<u>931,215</u>	<u>860,770</u>	<u>2,091,470</u>
<b>General Revenues</b>				
Per pupil charter school allocation	828,327	1,037,735	1,312,293	3,178,355
Intergovernmental				
Public Lands		46,283		46,283
Other	77,758	39,677	123,420	240,855
<b>Total General Revenues</b>	<u>906,085</u>	<u>1,123,695</u>	<u>1,435,713</u>	<u>3,465,493</u>
<b>Changes in Net Position</b>	<u>172,637</u>	<u>86,032</u>	<u>(184,789)</u>	<u>73,880</u>
Net Position Beginning of the Year	(241,184)	268,348	386,893	414,057
<b>Net Position End of the Year</b>	<u>\$ (68,547)</u>	<u>\$ 354,380</u>	<u>\$ 202,104</u>	<u>\$ 487,937</u>

## **INFORMATION REQUIRED BY OVERSIGHT AUTHORITIES**

**Majors and Haley, P.C.**  
**Certified Public Accountants**

PO Box 1478  
Cortez, Colorado 81321  
970-565-9521

Chris L Majors, CPA MT

Lori H Haley CPA

**INDEPENDENT AUDITOR'S 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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montezuma County (Cortez) School District RE-1, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Montezuma County (Cortez) School District RE-1's basic financial statements, and have issued our report thereon dated November 30, 2023.

**Report on Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 P.C.*

Majors and Haley, P.C.  
November 30, 2023

## Majors and Haley, P.C.

Certified Public Accountants

PO Box 1478  
Cortez, Colorado 81321  
970-565-9521

Chris L Majors, CPA MT

Lori H Haley CPA

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON 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**

##### ***Opinion on Each Major Federal Program***

We have audited Montezuma County (Cortez) School District RE-1's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Montezuma County Colorado's major federal programs for the year ended June 30, 2023. 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.

In our opinion, Montezuma County (Cortez) School District RE-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

##### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Montezuma County (Cortez) School District RE-1 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Montezuma County (Cortez) School District RE-1's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Montezuma County (Cortez) School District RE-1's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Montezuma County (Cortez) School District RE-1's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Montezuma County (Cortez) School District RE-1's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Montezuma County (Cortez) School District RE-1's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Montezuma County (Cortez) School District RE-1's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Montezuma County (Cortez) School District RE-1's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on 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 a combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 P.C.

Majors and Haley, P.C.  
November 30, 2023



**MONEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<b>Child Nutrition Cluster-Cluster</b>			
United States Department of Agriculture			
National School Lunch Program	10.555	Colorado Department of Education,4555	\$ 531,541
Seamless Summer Lunch Program	10.555	Colorado Department of Education,5555	94,010
Supply Chain Assistance	10.555	Colorado Department of Education,6555	65,388
Food Distribution	10.555	Colorado Department of Human Services,4555	72,326
Total National School Lunch Program			763,265
Special Milk Program for Children	10.556	Colorado Department of Education,4556	146
School Breakfast Program	10.553	Colorado Department of Education,4553	165,038
Seamless Summer Breakfast Program	10.553	Colorado Department of Education,5553	24,075
SNAP EBT Mini Grant	10.649	Colorado Department of Education,4649	3,135
CDHS Child Nutrition	10.56	Colorado Department of Human Services,4560	1,932
Total United States Department of Agriculture			957,591
<b>Total Child Nutrition Cluster-Cluster</b>			957,591
<b>Other Programs</b>			
Department of Education			
Title I Grants to Local Educational Agencies	84.010	Colorado Department of Education,4010	1,138,146
Title I Grants to Local Educational Agencies	84.010	Colorado Department of Education,5010	12,600
Total Title I Grants to Local Educational Agencies			1,150,746
Impact Aid	84.041		855,014
Career and Technical Education -- Basic Grants to States	84.048	Colorado Community College System,4048	22,967
Indian Education Grants to Local Educational Agencies	84.060		203,397
Charter Schools Grant	84.282	Colorado Department of Education,5282	82,699
Rural Education	84.358	Colorado Department of Education,6358	95,125
English Language Acquisition State Grants	84.365	Centennial BOCES,4365	7,861
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	Colorado Department of Education,4367	142,746
Student Support and Academic Enrichment Program	84.424	Colorado Department of Education,4424	148,766
Education Stabilization Fund			
Education Stabilization Fund	84.425	Colorado Department of Education 4437	10,000
Education Stabilization Fund	84.425	Colorado Department of Education 4438	90,693
Education Stabilization Fund	84.425	Colorado Department of Education, 4434	50,000
Education Stabilization Fund	84.425	Colorado Department of Education,4414	1,789,756
Education Stabilization Fund	84.425	Colorado Department of Education,4449	26,124
Education Stabilization Fund	84.425	Colorado Department of Education,4419	121,852
Education Stabilization Fund	84.425	Colorado Department of Education,4425	31,088
Education Stabilization Fund	84.425	Colorado Department of Education,4420	1,565,475
Total Education Stabilization Fund			3,684,988
Total Department of Education			6,394,309
<b>Total Other Programs</b>			6,394,309
<b>Total Expenditures of Federal Awards</b>			\$ 7,351,900

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, 2023**

#### **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 30, 2023. 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, 2023.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2023

**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	_____ <u>X</u> _____ no
Significant deficiency(ies) identified		
not considered to be material weaknesses?	_____ yes	_____ <u>X</u> _____ no

Federal Awards

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

Type of auditors' report issued on compliance  
for major programs:

Unmodified Opinion

Any audit findings disclosed that are required  
to be reported in accordance with  
Uniform Guidance

\_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Education Agencies
84.041	Impact Aid

Dollar threshold to distinguish between  
Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee

\_\_\_\_\_ X \_\_\_\_\_ yes \_\_\_\_\_ no

**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, 2023**

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, 2023**

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 2022-23  
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	15,615,727	22,264,512	21,414,768	16,465,471
18 Risk Mgmt Sub-Fund of General Fund	249,113	127,718	143,645	233,186
19 Colorado Preschool Program Fund	154,171	795,344	685,204	264,311
Sub- Total	16,019,011	23,187,573	22,243,617	16,962,967
11 Charter School Fund	1,277,865	4,323,292	4,184,458	1,416,700
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	391,922	1,312,580	1,150,112	554,391
22 Govt Designated-Purpose Grants Fund	5,959	7,800,488	7,800,488	5,959
23 Pupil Activity Special Revenue Fund	399,110	397,142	386,400	409,851
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,499,024	1,517,935	1,410,508	1,606,452
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	2,187,940	1,948,588	1,984,341	2,152,187
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	21,780,831	40,487,598	39,159,923	23,108,507
Proprietary				
50 Other Enterprise Funds	815,571	416,145	118,832	1,112,884
64 (63) Risk-Related Activity Fund	437,374	376,739	325,785	488,328
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	1,252,945	792,884	444,617	1,601,212
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