

**MONTEZUMA COUNTY (MANCOS)
SCHOOL DISTRICT RE-6**

Accountants' Reports
and
Basic Financial Statements

June 30, 2022

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Montezuma County (Mancos) School District RE-6
Mancos, Colorado 81328

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montezuma County (Mancos) School District RE-6, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Montezuma County (Mancos) School District RE-6's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Montezuma County (Mancos) School District RE-6, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 *Government 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 Montezuma County (Mancos) School District RE-6 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 Montezuma County (Mancos) School District RE-6'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 and *Government 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 and *Government 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 Montezuma County (Mancos) School District RE-6'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 Montezuma County (Mancos) School District RE-6'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 and analysis, Schedule of District Pension Contributions, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District OPEB Contributions, and Schedule of the District's Proportionate Share of the Net 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 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 (Mancos) School District RE-6's basic financial statements. The accompanying budgetary comparison schedules, Colorado Department of Education Auditors' Integrity Report and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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. In our opinion, the budgetary comparison schedule, Colorado Department of Education Auditors' Integrity Report, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2022 on our consideration of Montezuma County Colorado'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 Montezuma County (Mancos) School District RE-6'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 (Mancos) School District RE-6's internal control over financial reporting and compliance.



Majors and Haley P.C.
September 21, 2022

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2022

FINANCIAL HIGHLIGHTS

Key financial highlights for the District in fiscal year 2022 are as follows:

- In total, net position increased by \$1,681,411 from \$15,628,411 to \$17,309,822.
- General revenues accounted for \$5,629,784 in revenue or 74 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1,927,151 or 26 percent of total revenues of \$7,556,935.
- Governmental activities total assets decreased by \$596,083 and deferred outflows of resources decreased by \$371,666. Total liabilities decreased by \$1,756,728. Deferred inflows of resources decreased by \$892,432.
- The District incurred \$5,875,524 in expenses related to government activities. \$1,927,151 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily state equalization and property taxes) of \$5,629,784 were adequate to cover all of the costs of these programs.
- Among the major funds, the General Fund had \$6,649,791 in revenues and \$6,220,452 in expenditures, including transfers. It's fund balance increased by \$429,339.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

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

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

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position (the difference between the District's assets, deferred outflows of resources and liabilities, deferred inflows of resources) is one way to measure the District's 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.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2022

- 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 district-wide financial statements, the District's activities are included in one category:

- **Governmental activities-** All of 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 one type of fund:

- **Governmental funds-** Most of 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 left 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 district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Total assets decreased by \$596,083. Net capital assets decreased by \$1,095,171. Total liabilities decreased by \$1,756,728.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2022

The District's combined net position was larger on June 30, 2022 than it was at June 30, 2021, increasing by \$1,681,411 to \$17,309,822.

Table 1 provides a summary of the District's net position for 2022 compared to 2021:

Table 1
Condensed Statement of Net Position
(In millions)

	2022	2021
Assets		
Current assets	\$ 4.084	\$ 3.585
Capital assets	25.208	26.303
Total assets	29.292	29.888
Deferred outflows	1.525	1.896
Liabilities		
Current liabilities	0.667	0.661
Noncurrent liabilities	10.427	12.189
Total liabilities	11.094	12.850
Deferred inflows	2.413	3.306
Net Position		
Invested in capital	21.003	21.903
Restricted	0.706	0.583
Unrestricted	(4.399)	(6.858)
Total net position	\$ 17.310	\$ 15.628

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

For the Year Ended June 30, 2022

Table 2 shows the changes in net position for fiscal year 2022 as compared to fiscal year 2021.

Table 2
Changes in Net Position
(In millions)

	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues		
Charges for services	\$ 0.175	\$ 0.122
Operating grants & contributions	1.752	1.493
Capital grants & contributions	-	-
Property taxes	1.289	1.155
State equalization	3.802	3.332
Other	0.539	0.319
Total revenues	<u>7.557</u>	<u>6.421</u>
Expenses		
Instruction	2.329	1.882
Pupil and instructional services	0.342	0.198
Administration and business	0.621	0.429
Maintenance and operations	0.606	0.482
Transportation	0.173	0.160
Other	1.805	1.670
Total expenses	<u>5.876</u>	<u>4.821</u>
Increase (decrease) in net assets	<u>\$ 1.681</u>	<u>\$ 1.600</u>

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

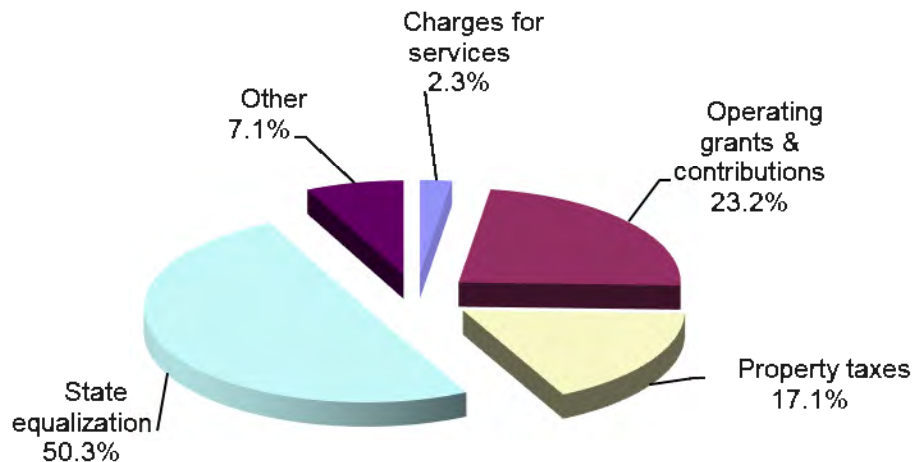
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2022

State equalization, property taxes and operating grants and contributions accounted for most of the District's total revenue, with each contributing 50.3 percent, 17.1 percent and 23.2 percent respectively (See Table 3). The remainder of the revenue came from charges for services and miscellaneous sources.

The District's expenses are predominately related to instruction, (40 percent) (See Table 4). The District's administrative and business activities accounted for 10 percent of total costs.

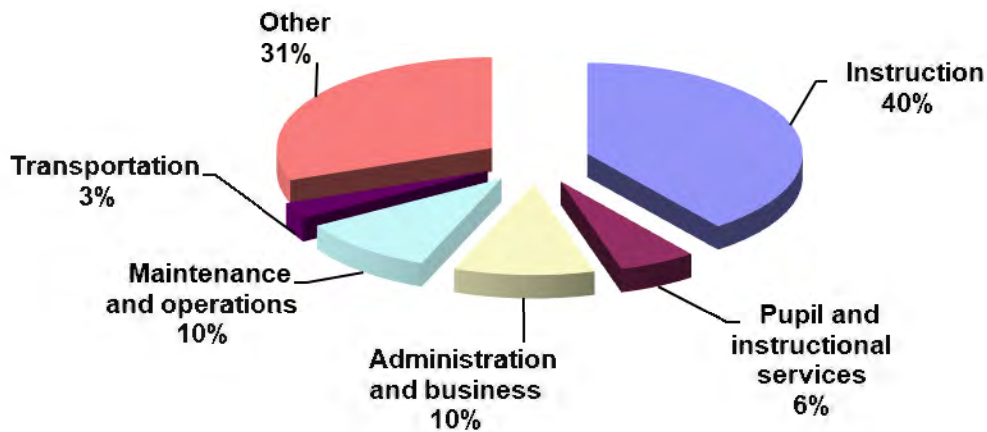
Table 3
Sources of Revenue for Fiscal Year 2022



MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2022

Table 4
Expenses for Fiscal Year 2022



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 \$10,155 per funded student. In fiscal year 2022 the funded pupil count was 467. Funding for the SFA comes from property taxes, specific ownership taxes and state equalization. The District receives approximately 79 percent of this funding from state equalization while the remaining amounts come from property and specific ownership taxes.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those service costs. Table 5 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.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2022**

Table 5
Government Activities
(In millions)

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
Instruction	\$ 2.329	\$ 1.882	\$ 1.021	\$ 0.677
Pupil and instructional services	0.342	0.198	0.327	0.191
Administration and business	0.621	0.429	0.535	0.429
Maintenance and operations	0.606	0.482	0.397	0.326
Transportation	0.173	0.160	0.138	0.137
Other	1.805	1.670	1.530	1.447
Total	<u>\$ 5.876</u>	<u>\$ 4.821</u>	<u>\$ 3.948</u>	<u>\$ 3.207</u>

- The cost of all governmental activities during the year was \$5.876 million.
- Some of the cost was financed by the users of the District's programs (\$1.175 million)
- Federal and state government subsidized certain programs with grants and contributions (\$1.752 million).
- The balance of the District's costs (\$5.630 million) were financed by State and District taxpayers. This portion of governmental activities was financed with \$3.802 million in state equalization from the School Finance Act of 1994 (SFA) and \$1.395 million in property and specific ownership taxes.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Information about the District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$7,464,022 and expenditures of \$6,963,837.

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 information that was not available at the time of the original budget.
- Actual expenditures were \$2,685,187 below budget.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2022, the District has invested \$34.288 million in land, buildings, and equipment (including vehicles).

Table 6 shows capital assets for 2022 compared to 2021:

Table 6
Capital Assets at June 30

	2022	2021
Land	\$ 0.652	\$ 0.652
Buildings	32.263	32.222
Equipment	1.373	1.288
Total	<u>\$ 34.288</u>	<u>\$ 34.162</u>

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2022

Additional information on the District's capital assets can be found in Note 4 on page 30 of this report.

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 or need additional financial information, contact the Business Office, Montezuma County (Mancos) School District RE-6, 395 West Grand Avenue, Mancos, Colorado 81328.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Statement of Net Position

June 30, 2022

	Governmental Activities	Total
Assets		
Cash	\$ 1,026,341	\$ 1,026,341
Cash with county treasurer	6,602	6,602
Investments	2,983,075	2,983,075
Grants accounts receivable	64,689	64,689
Inventory	2,942	2,942
Capital assets	34,288,099	34,288,099
Accumulated depreciation	(9,080,030)	(9,080,030)
Total capital assets, net of depreciation	<u>25,208,069</u>	<u>25,208,069</u>
Total Assets	<u>29,291,718</u>	<u>29,291,718</u>
Deferred Outflows of Resources		
Pension items	1,463,389	1,463,389
OPEB items	61,373	61,373
Total Deferred Outflows of Resources	<u>1,524,762</u>	<u>1,524,762</u>
Liabilities		
Accrued salaries and benefits payable	464,763	464,763
Long-term liabilities		
Due within one year	201,646	201,646
Due in more than one year	4,003,729	4,003,729
Net pension obligation	6,126,808	6,126,808
Net OPEB obligation	296,417	296,417
Total Liabilities	<u>11,093,363</u>	<u>11,093,363</u>
Deferred Inflows of Resources		
Pension items	2,305,536	2,305,536
OPEB items	107,759	107,759
Total Deferred Inflows of Resources	<u>2,413,295</u>	<u>2,413,295</u>
Net Position		
Net investment in capital assets	21,002,694	21,002,694
Restricted		
TABOR	200,000	200,000
Student activities	68,992	68,992
Debt service	377,893	377,893
Foods service	59,049	59,049
Unrestricted	(4,398,806)	(4,398,806)
Total Net Position	<u>\$ 17,309,822</u>	<u>\$ 17,309,822</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
Statement of Activities

For the Year Ended June 30, 2022

		Program Revenues			Net (Expenses) Revenue And Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
	Expenses					
Governmental Activities						
Instructional Program Services	\$ 2,328,580	\$ 163,269	\$ 1,144,176		\$ (1,021,135)	\$ (1,021,135)
Support Program Services						
Students	156,256		10,700		(145,556)	(145,556)
Instructional staff	185,648		4,500		(181,148)	(181,148)
General administration	252,039		85,500		(166,539)	(166,539)
School administration	282,218				(282,218)	(282,218)
Business	86,582				(86,582)	(86,582)
Operation and maintenance of plant	605,495		208,840		(396,655)	(396,655)
Student transportation	173,427		35,096		(138,331)	(138,331)
Central	174,721				(174,721)	(174,721)
Other	29,234				(29,234)	(29,234)
Food service	280,029	12,112	262,958		(4,959)	(4,959)
Interest on long-term debt	147,601				(147,601)	(147,601)
Depreciation excluding amounts directly allocated to programs	1,173,694				(1,173,694)	(1,173,694)
Total Governmental Activities	5,875,524	175,381	1,751,770	-	(3,948,373)	(3,948,373)
Total School District	\$ 5,875,524	\$ 175,381	\$ 1,751,770	\$ -	(3,948,373)	(3,948,373)
General Revenues						
Property tax for general purposes					923,878	923,878
Property tax for debt repayment					365,260	365,260
Specific Ownership tax for general purposes					106,102	106,102
Intergovernmental						
State Equalization					3,801,932	3,801,932
State Mitigation					19,168	19,168
State Direct Distribution Payment					167,899	167,899
Mineral Leasing					13,938	13,938
Forest Service					14,396	14,396
Earnings on investments					11,603	11,603
Miscellaneous					205,608	205,608
Total General Revenues					5,629,784	5,629,784
Changes in Net Position					1,681,411	1,681,411
Net Position Beginning of the Year					15,628,411	15,628,411
Net Position End of the Year					\$ 17,309,822	\$ 17,309,822

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Balance Sheet
Governmental Funds

June 30, 2022

	General Fund	Lunch Fund	Student Activity Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets						
Cash	\$ 784,464	\$ 68,170	\$ 68,992	\$ 6	\$ 104,709	\$ 1,026,341
Cash with county treasurer	4,742			1,860		6,602
Investments	2,607,048			376,027		2,983,075
Inventory		2,942				2,942
Grants accounts receivable	64,689					64,689
Total Assets	\$ 3,460,943	\$ 71,112	\$ 68,992	\$ 377,893	\$ 104,709	\$ 4,083,649
Liabilities and Fund Balances						
Liabilities						
Accrued salaries and benefits payable	\$ 455,642	\$ 9,121				\$ 464,763
Total Liabilities	455,642	9,121	-	-	-	464,763
Fund Balances						
Nonspendable-inventory		2,942				2,942
Restricted						
TABOR	200,000					200,000
Debt service				\$ 377,893		377,893
Food service		59,049				59,049
Student activities			\$ 68,992			68,992
Unrestricted						
Assigned for FY 23 expenditures	2,805,301				\$ 104,709	2,910,010
Total Fund Balances	3,005,301	61,991	68,992	377,893	104,709	3,618,886
Total Liabilities and Fund Balances	\$ 3,460,943	\$ 71,112	\$ 68,992	\$ 377,893	\$ 104,709	\$ 4,083,649

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

June 30, 2022

Total Fund Balance Governmental Funds \$ 3,618,886

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	\$ 34,288,099	
Accumulated depreciation	<u>(9,080,030)</u>	25,208,069

Long term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet

Due within one year	(201,646)	
Due in more than one year	<u>(4,003,729)</u>	(4,205,375)

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet

Net pension obligation	(6,126,808)	
Net OPEB obligation	<u>(296,417)</u>	(6,423,225)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds balance sheet

Deferred outflows of resources related to pensions	1,463,389	
Deferred outflows of resourced related to OPEB	61,373	
Deferred inflows of resources related to pensions	(2,305,536)	
Deferred inflows of resources related to OPEB	<u>(107,759)</u>	(888,533)

Total Net Position Governmental Activities \$ 17,309,822

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2022

	General Fund	Lunch Fund	Student Activity Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues						
Taxes	\$ 1,029,980			\$ 366,253		\$ 1,396,233
State sources	4,290,348	\$ 11,792			\$ 41,198	4,343,338
Federal sources	1,081,686	251,166				1,332,852
Other	247,777	41,319	\$ 101,706	752	45	391,599
Total Revenues	6,649,791	304,277	101,706	367,005	41,243	7,464,022
Expenditures						
Instructional Program	3,414,264		121,929			3,536,193
Support Programs						
Pupils	271,448					271,448
Instructional staff	244,202					244,202
General administration	305,427					305,427
School administration	475,868					475,868
Business	146,858					146,858
Operation and maintenance of plant	753,692				13,153	766,845
Student transportation	261,025					261,025
Central	206,869					206,869
Other	29,234					29,234
Food service	32,809	303,302				336,111
Facilities acquisition					41,198	41,198
Debt Service						
Principal				194,958		194,958
Interest				147,601		147,601
Total Expenditures	6,141,696	303,302	121,929	342,559	54,351	6,963,837
Excess revenues over (under) expenditures	508,095	975	(20,223)	24,446	(13,108)	500,185
Other Financing Sources (Uses)						
Transfers in (out)	(78,756)	30,000			48,756	-
Total Other Financing Sources (Uses)	(78,756)	30,000	-	-	48,756	-
Net Change in Fund Balances	429,339	30,975	(20,223)	24,446	35,648	500,185
Fund Balances beginning of the year	2,575,962	31,016	89,215	353,447	69,061	3,118,701
Fund Balances end of the year	\$ 3,005,301	\$ 61,991	\$ 68,992	\$ 377,893	\$ 104,709	\$ 3,618,886

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2022

Net Change in Fund Balances Governmental Funds \$ 500,185

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.

Capital outlay	\$ 125,913	
Depreciation expense	(1,221,084)	
		(1,095,171)

Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal paid on general obligation bonds	194,958	
		194,958

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	637,128	
District OPEB contributions	32,690	
Cost of pension benefits earned	1,250,403	
Cost of OPEB benefits earned	(6,681)	
		1,913,540

Governmental funds report the District's share of State contributions to PERA as revenue and expenditures. However, in the Statement of Activities, the District's proportionate share of the State PERA pension benefit included in the District's pension expense is reported as revenue.

District proportionate share of State Contribution revenue	(74,986)	
District proportionate share of State Contribution expenditure	74,986	
District proportionate share of State direct contribution payment revenue	167,899	
		167,899

Change in Net Position of Governmental Activities	\$ 1,681,411
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The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues from local sources				
Current property taxes	\$ 807,384	\$ 878,634	\$ 923,878	\$ 45,244
Specific ownership taxes	62,853	71,634	106,102	34,468
Other	95,065	157,365	247,777	90,412
Total revenues from local sources	965,302	1,107,633	1,277,757	170,124
Revenues from state sources				
State equalization	3,628,480	3,807,694	3,801,932	(5,762)
Grants	251,424	410,675	413,430	2,755
State direct PERA contribution			74,986	74,986
Total revenues from state sources	3,879,904	4,218,369	4,290,348	71,979
Revenues from federal sources				
Forest service	15,150	14,396	14,396	-
Mineral leasing	27,457	13,938	13,938	-
Grants	1,000,497	1,016,539	1,053,352	36,813
Total revenues from federal sources	1,043,104	1,044,873	1,081,686	36,813
Total revenues	5,888,310	6,370,875	6,649,791	278,916
Expenditures				
Instructional Program	3,269,864	3,387,522	3,414,264	(26,742)
Support Programs				
Students	287,914	282,862	271,448	11,414
Instructional staff	204,877	267,515	244,202	23,313
General administration	232,799	317,903	305,427	12,476
School administration	472,615	486,141	475,868	10,273
Business	149,188	148,228	146,858	1,370
Plant operation and maintenance	725,046	802,096	753,692	48,404
Student transportation	290,104	291,030	261,025	30,005
Central support services	236,222	241,234	206,869	34,365
Other support services	19,637	29,235	29,234	1
Food Service	30,050	32,809	32,809	-
Facilities acquisition				-
Other				-
Appropriated reserves	2,292,594	2,540,308		2,540,308
Total expenditures	8,210,910	8,826,883	6,141,696	2,685,187
Other financing sources (uses)				
Transfers Out	(33,200)	(119,954)	(78,756)	41,198
Total Other Financing Sources (Uses)	(33,200)	(119,954)	(78,756)	41,198
Excess of revenues over (under) expenditures	(2,355,800)	(2,575,962)	429,339	3,005,301
Fund balances, beginning	2,355,800	2,575,962	2,575,962	-
Fund Balances, ending	\$ -	\$ -	\$ 3,005,301	\$ 3,005,301

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

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

For the Year Ended June 30, 2022

	Budgeted Amounts			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Local sources				
Meal sales	\$ 10,000	\$ 10,000	\$ 12,112	\$ 2,112
Earnings on investments	10	10	16	6
Other	4,000	17,124	29,191	12,067
Total local sources	14,010	27,134	41,319	14,185
State sources				
State Matching Grant	1,800	1,792	1,792	-
CHF Mini Grant			10,000	10,000
Total state sources	1,800	1,792	11,792	10,000
Federal sources				
Seamless Summer Lunch Program	170,500	160,000	163,669	3,669
Seamless Summer Breakfast Program		60,000	61,371	1,371
Donated commodities	16,659	16,659	13,317	(3,342)
SNAP		614	614	-
Supply Chain Assistance Grant			12,195	12,195
Total federal sources	187,159	237,273	251,166	13,893
Total revenues	202,969	266,199	304,277	38,078
Expenditures				
Food Service				
Salaries	89,741	94,976	96,422	(1,446)
Employee benefits	27,670	28,840	28,174	666
Purchased services				
Professional and technical	1,000	2,500	2,246	254
Other	5,500	12,800	9,289	3,511
Food and milk	87,399	122,514	139,723	(17,209)
Commodities used	16,659	16,659	13,317	3,342
Supplies	12,000	17,500	13,756	3,744
Property				
Other		410	375	35
Appropriated reserves	24,000	31,015		31,015
Total expenditures	263,969	327,214	303,302	23,912
Other financing sources (uses)				
Transfers in (out)	37,000	30,000	30,000	-
Total other financing sources (uses)	37,000	30,000	30,000	-
Excess of revenues and other sources over (under) expenditures and other uses	(24,000)	(31,015)	30,975	61,990
Fund balance, beginning	24,000	31,015	31,016	1
Fund balance, ending	\$ -	\$ -	\$ 61,991	\$ 61,991

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

- 1. Summary of Significant Accounting Policies** – The accounting policies of the Montezuma County School District RE-6 (“District”) conform to U.S. generally accepted accounting principles, as applicable to school districts. 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 Montezuma County School District RE-6 Board of Education (“Board”) is the basic level of government which has financial accountability and control over all activities related to public education in the town of Mancos, Colorado. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental “reporting entity” as defined by the GASB pronouncement, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statements 14,39 and 61, which are included in the District’s reporting entity.

Fund Accounting – The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and in the means by which spending activities are controlled. The various funds are grouped, into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types”.

Governmental Funds- are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked funds (special revenue funds). The following are the District’s governmental funds:

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. Expenditures include all costs associated with the daily operation of the schools, except for programs funded by certain capital outlay expenditures, food service expenditures, extracurricular athletic and other pupil activities, and insurance transactions.

Lunch Fund – is used to account for the financial transactions related to the food service operations of the District.

Student Activity Fund – is used to account for the financial transactions related to the student activities of the District.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

Debt Service Fund- is used to account for the accumulation of resources for, and the payment of the BEST general obligation bonds principal, interest and related costs.

Capital Projects Fund- the Capital Projects Fund accounts for the accumulation of resources and expenditure of resources for capital improvements within the District.

Basis of Presentation-

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

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

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

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

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within 60 days after year-end, interest, tuition, grants and student fees.

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

Pensions- The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP 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.

OPEB- The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net OPEB liability, deferred outflows of resources and

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Expenses/Expenditures- On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in fund balances as an expense with a like amount reported as donated commodities revenue.

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

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 (U.S. 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.

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 December 31.

Formal budgetary integration is employed as a management control device during the year.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Education throughout the year. Following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets in fiscal year 2022.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

	Original Budget	Total Revisions	Revised Budget
Governmental Funds:			
General Fund	\$ 8,210,910	\$ 615,973	\$ 8,826,883
Lunch Fund	263,969	63,245	327,214
Student Activity Fund	253,859	15,356	269,215
Debt Service Fund	750,844	(21,534)	729,310
Capital Projects Fund	72,310	86,750	159,060

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.

Encumbrance Accounting – under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed by the District as an extension of formal budgetary integration. Encumbrances outstanding at year-end are cancelled and represent neither a liability nor a reservation of equity.

Short-term Inter-fund Receivables/Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the District-wide statement of net assets and, classified as due from other funds or due to other funds on the balance sheet.

Inventories - Inventories in the Lunch Fund consists of both expendable supplies held for consumption and the cost of goods held for resale, the cost of which is recorded as an expense as they are used. Inventories are valued at cost using the first-in, first-out concept.

Capital Assets – General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statements of net assets and in the respective fund financial statements.

All capital assets are valued 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 five thousand dollars. The District does not possess any infrastructure.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

Description	Governmental Activities
	<u>Estimated Lives</u>
Buildings and Improvements	20-50 Years
Furniture and Equipment	5-15 Years
Vehicles	8 Years

Property Tax Revenue Recognition - of the District is recognized when the Montezuma County Treasurer collects it, on behalf of the District. The property tax is levied in December of the year prior to the year the taxes are collected on all taxable property located in the District. Property taxes become an enforceable lien on January 1 of each year, are due on or before June 15 and are delinquent on June 16.

Accumulated Unpaid Vacations and Sick Pay- Vacations for twelve month non-professional employees is two weeks per year after the completion of one year on the job and three weeks per year after the completion of five years on the job. Vacations normally must be taken during the summer months unless special arrangements are made with the immediate supervisor. Vacation time may be accrued and carried over for two years at which time any unused vacation time lapses.

Certified employees will receive ten sick days on the first day of employment to accrue annually to a maximum of sixty days. Support staff employees will begin accruing sick leave on the first day of employment at the rate of one day per month of service, to a maximum of sixty days. A sick leave bank is available to all participating employees.

Personal leave shall be granted at the rate of two days per year, non-accumulative. Personal leave must be approved by the superintendent after being recommended by the immediate supervisor of the employee.

Vacation time, sick leave and personal leave do not vest or accumulate with the employees, that is, the employees have no right to be paid for any of these if not taken in the time indicated, or if they terminate. Under generally accepted accounting principles, there is, therefore, no expense or liability included in the financial statements.

Accrued Liabilities and General Long-Term Obligations- All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

that they will be paid with current, expendable, available financial resources. In general, payment made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Governmental Fund Balances- In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable- Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. This includes the amount of inventory held in the Lunch Fund.

Restricted- Amounts that can be used only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. This includes the District's TABOR reserve for emergencies, amounts restricted for debt service, food service and amounts restricted for the major upgrade of the District's facilities.

Committed- Amounts that can be used only for specific purposes determined by a formal action by 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- Amounts that are designated by the Board of Education for a particular purpose but are not spendable until appropriated. This includes assignments for subsequent year's expenditures.

Unassigned- All amounts not included in other spendable classifications.

Use of Restricted Resources- When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other less-restrictive classifications- committed and then assigned fund balances before using unassigned fund balances.

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 its 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.

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. **Cash and Investments** – Cash and investments consist of the following:

Demand accounts	\$ 399,847
Certificates of deposit	626,494
Colotrust	2,977,293
Treasury Bill	5,782
Total cash and investments	<u>\$ 4,009,416</u>

The Colorado Public Deposit Protection Act (PDPA) governs the District's cash deposits. The statutes 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 government 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 statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

Colorado statutes define eligible investments for local governments. These 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, guaranteed investment contracts and local government investment pools.

At June 30, 2022, the District had investments in one local governmental investment pool, the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, and Section 6. The fair value of the investments in COLOTRUST is the same as the value of the pool shares. None of these types of investments are categorized because they are not evidenced by securities that exist in physical or book entry form. COLOTRUST is rated AAAM from Standard and Poor's. Financial statements for COLOTRUST may be obtained at www.colotrust.com. The District also invested in one US Treasury Bill. The difference between its carrying amount and market value is immaterial and therefore, not recorded on the financial statements.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

The District records interest revenue related to investment activities in the fund that holds the investments.

At June 30, the District had the following investments subject to interest rate risk:

Investment Type	Carrying Value	Fair Value	Investment Maturities (in years)			
			Less than 1	1-5	6-10	More than 10
Investment Pools						
COLOTRUST	\$ 2,977,293	\$ 2,977,293				
Treasury Bill	5,782	8,287		\$ 8,287		
Total	<u>\$ 2,983,075</u>	<u>\$ 2,985,580</u>				

The District does not have a formal policy limiting investment maturities that would help to manage its exposure to fair value loss from increasing interest rates.

3. 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 are as follows:

	Receivables	Deferred Revenues
<u>General Fund</u>		
ESSER III	\$ 23,775	
ESSER II	40,914	
CE Expansion Grant		
Total General Fund	<u>\$ 64,689</u>	<u>\$ -</u>

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4. Capital Assets – Capital asset activity for the fiscal year ended June 30, 2022 follows:

	Capital Assets July 1, 2021	Additions	Deletions Inventory Adjustments/ Transfers	Capital Assets June 30, 2022
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 652,468			\$ 652,468
Total capital assets not being depreciated	<u>652,468</u>	<u>-</u>	<u>-</u>	<u>652,468</u>
Capital assets, being depreciated:				
Buildings	32,222,146	\$ 41,198		32,263,344
Equipment	1,287,572	84,715		1,372,287
Total capital assets being depreciated	<u>33,509,718</u>	<u>125,913</u>	<u>-</u>	<u>33,635,631</u>
Less accumulated depreciation for:				
Buildings	(6,835,258)	(1,149,458)		(7,984,716)
Equipment	(1,023,688)	(71,626)		(1,095,314)
Total accumulated depreciation	<u>(7,858,946)</u>	<u>(1,221,084)</u>	<u>-</u>	<u>(9,080,030)</u>
Total capital assets, being depreciated, net	25,650,772	(1,095,171)		24,555,601
Governmental Activities Capital Assets, net	<u>\$ 26,303,240</u>	<u>\$ (1,095,171)</u>	<u>\$ -</u>	<u>\$ 25,208,069</u>

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

Transportation	\$ 41,134
Food Service	6,256
Unallocated	1,173,694
Total depreciation-governmental activities	<u>\$ 1,221,084</u>

5. Defined Benefit Pension Plan –

Plan description- Eligible employees of the District are provided with pensions through the School Division Trust Fund (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.

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Benefits provided as of December 31, 2021. 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 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 benefit formulas shown above considering a minimum 20 years of service credit, if deemed disabled.

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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, 2022. 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 are established under C.R.S. § 24-51-401, *et seq* and C.R.S. § 24-51-413. Eligible employees are required to contribute 10.5 percent of their PERA-includable salary during the period of July 1, 2021 through June 30, 2022. The employer contribution requirements are summarized in the table below:

	July 1, 2020 Through June 30, 2021
Employer Contribution Rate	10.90%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount Apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.50%
Total Employer Contribution Rate to the SCHDTF	19.88%

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 \$637,128 for the year ended June 30, 2022.

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 \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total pension liability to December 31, 2021. The District's proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of the participating employers and the State as a nonemployer contributing entity.

At June 30, 2022, the District reported a liability of \$6,126,808 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	\$ 6,126,808
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The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	702,360
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Total	<u>\$ 6,829,168</u>
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At December 31, 2021, the District's proportion was .0526477190 percent, which was an increase of .00169 percent from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$(1,887,631) and \$167,899 in revenue for support from the State as a nonemployer contributing entity. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 234,558	
Changes in assumptions	467,736	
Net difference between projected and actual earnings on pension plan investments		\$ 2,303,497
Changes in proportion and differences between contributions recognized and proportionate share of contributions	456,265	2,039
Contributions subsequent to the measurement date	304,830	
Total	<u>\$ 1,463,389</u>	<u>\$ 2,305,536</u>

\$304,830 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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:

2023	\$ 104,165
2024	(456,999)
2025	(519,907)
2026	(274,236)

Actuarial assumptions. The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.30 percent
Real wage growth	.70 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	3.40 – 11.00 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent

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Discount rate 7.25 percent

Post-retirement benefit increases:

PERA Benefit Structure hired prior to 1/1/07;
and DPS Benefit Structure (compounded annually) 1.00 percent

PERA Benefit Structure hired after 12/31/06¹ Financed by the AIR

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

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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

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

Post-retirement non-disability 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 percent of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2020, 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 every four to five years for PERA. Recently this assumption has been reviewed more

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frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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:

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

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

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

Discount rate. The discount rate used to measure TPL liability 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 consisted 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 years, total covered payroll was assumed to increase annually at a rate of 3.00%.

Employee contributions were assumed to be made at the current member contribution rates in effect for each year, including the scheduled increases in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional .50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee

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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 .50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included 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.

Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve of the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's FNP was projected to be available to make all projected 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 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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

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	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$9,018,116	\$6,126,808	\$3,714,082

Pension plan fiduciary net position. Detailed information about 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.

6. Defined Contribution Pension Plan

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District has not agreed to match employee contributions. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2022, program members contributed \$38,443 to the Voluntary Investment Program.

7. 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, and 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 that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% 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% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$32,690 for the year ended June 30, 2022.

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

At June 30, 2022 the District reported a liability of \$296,417 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the District proportion was .0344 percent, which was an increase of .0048 percent from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$(26,009). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 452	\$ 70,284
Changes in assumptions	6,137	16,079
Net difference between projected and actual earnings on pension plan investments		18,348
Changes in proportion and differences between contributions recognized and proportionate share of contributions	39,144	3,048
Contributions subsequent to the measurement date	15,640	
Total	<u>\$ 61,373</u>	<u>\$ 107,759</u>

\$15,640 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year ended June 30:

2023	\$ (19,318)
2024	(20,727)
2025	(21,723)
2026	(8,039)
2027	6,884
2028	897

Actuarial assumptions. The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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 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	4.50% in 2021
	6.00% in 2022, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.75% in 2021, gradually increasing to 4.50% in 2029

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

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020 valuation,, the following monthly costs/premiums are assumed for 2021 for the PERA Benefit Structure:

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Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted
Medicare Advantage/Self- Kaiser Permanente Medicare Advantage HMO	\$633	\$230	\$591
	596	199	562

The 2021 Medicare Part A premium is \$471 (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 heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	4.00%
2024	5.60%	4.00%
2025	5.40%	4.00%
2026	5.10%	4.25%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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June 30, 2022

Mortality assumptions used in the December 31, 2020 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 using 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.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 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 on 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:** 97% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement mortality assumptions for the School and Judicial Divisions were based on 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.

The following health care costs assumptions were updated and used in the roll forward calculation for the Trust fund:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2021 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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.

The actuarial assumptions used in the December 31, 2020, 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 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.

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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

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

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 rate of return assumption of 7.25%.

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	287,908	296,417	306,278

Discount rate. The discount rate used to measure the TOL 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:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, 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%.
- 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% 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%. There was no change in the discount rate from the prior measurement date.

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	344,258	296,417	255,554

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

8. Accrued Salaries – Certified instructors of the District are contracted for nine months annually between Labor Day 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 \$464,763, is reflected as an accrued expense at June 30.

9. Long Term Debt-

2017 General Obligation Bonds Payable- In November of 2017, the voters of the District approved the issuance of \$4,950,000 of general obligation bonds. The bonds were issued for the purpose of providing matching money for the State of Colorado Building Excellent Schools Today (BEST) grant program. The proceeds, along with the grant funds will be used for the major renovation and construction of District facilities. The bonds are payable in annual installments and bear interest at 3.43 percent. The repayment of the bonds is accounted for in the Debt Service Fund.

The annual requirements to amortize the bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 201,646	\$ 140,799	\$ 342,445
2024	208,563	133,763	342,326
2025	215,717	126,486	342,203
2026	223,117	118,960	342,077
2027	230,771	111,175	341,946
2028-2032	1,278,169	429,426	1,707,595
2033-2037	1,512,960	190,608	1,703,568
2038	334,432	5,736	340,168
Total	<u>\$ 4,205,375</u>	<u>\$ 1,256,953</u>	<u>\$ 5,462,328</u>

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

Description	Beginning Balance	Issued	Retired	Ending Balance
General Obligation Bonds	\$ 4,400,333		\$ 194,958	\$ 4,205,375
Total	<u>\$ 4,400,333</u>	<u>\$ -</u>	<u>\$ 194,958</u>	<u>\$ 4,205,375</u>

10. Inter-fund Operating Transfers— Transfers consist of amounts transferred to supplement revenues. All transfers are done on a routine basis. Transfers for the year ended June 30 are as follows:

	In	Out
<u>Transfers</u>		
General Fund		\$ 78,756
Lunch Fund	\$ 30,000	
Capital Projects Fund	48,756	
Total	<u>\$ 78,756</u>	<u>\$ 78,756</u>

The transfers were made for the purpose of subsidizing the receiving fund.

11. 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:

Non-spendable

Inventory- indicates that the portion of fund balance represented by inventories is not available for appropriation and expenditure at the balance sheet date. Non-spendable fund balance related to inventory consists of \$2,942 in the Lunch Fund.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

Restricted

TABOR – indicates that a portion of the fund balance has been segregated for expenditures for declared emergencies only. Fund balance reserved for emergencies consists of \$200,000 in the General Fund.

Student Activities- indicates that the fund balance in the Student Activity Fund is restricted for student activities within the District. Fund balance restricted for student activities consists of \$68,992 in the Student Activity Fund.

Debt Service- indicates the amount of fund balance that is restricted for the repayment of the District's outstanding general obligation bonds. Fund balance restricted for debt service consists of \$377,893 in the Debt Service Fund

Food Service- indicates the amount of fund balance that is restricted for the food service operations of the District. Fund balance restricted for food service consists of \$59,049 in the Lunch Fund.

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 the following:

General Fund	\$ 2,805,301
Capital Projects Fund	104,709
Total	<u><u>\$ 2,910,010</u></u>

- 12. 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 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.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

- 13. 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. On November 5, 1996 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 1997 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.
- 14. Commitments and Contingent Liabilities** – There were no commitments or contingent liabilities at June 30.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Required Supplementary Information

June 30, 2022

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:

Pension Schedules

- Schedule of District Contributions

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

OPEB Schedules

- Schedule of District Contributions

- Schedule of the District's Proportionate Share of the Net OPEB Liability

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
Schedules of Required Supplementary Information
Schedule of District Pension Contributions
June 30, 2022

Last 10 Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	\$ 359,412	\$ 399,885	\$ 428,894	\$ 447,771	\$ 471,647	\$ 525,130	\$ 579,413	\$ 579,649	\$ 637,128
Contributions in relation to the contractually required contribution	359,412	399,885	428,894	447,771	471,647	525,130	579,413	579,649	637,128
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,146,077	\$ 2,369,569	\$ 2,420,231	\$ 2,437,049	\$ 2,497,157	\$ 2,745,059	\$ 2,989,743	\$ 2,914,688	\$ 3,204,869
Contributions as a percentage of covered payroll	16.75%	16.88%	17.72%	18.37%	18.89%	19.13%	19.38%	19.89%	19.88%

Information is not available for years prior to 2014

Notes to Required Supplementary Information

See Note 5 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedules of Required Supplementary Information

Schedule of District OPEB Contributions

June 30, 2022

Last 10 Years

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 24,858	\$ 25,471	\$ 27,999	\$ 30,495	\$ 29,730	\$ 32,690
Contributions in relation to the contractually required contribution	24,858	25,471	27,999	30,495	29,730	32,690
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,437,049	\$ 2,497,157	\$ 2,745,059	\$ 2,989,743	\$ 2,914,688	\$ 3,204,869
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

Information is not available for years prior to 2017

Notes to Required Supplementary Information

See Note 7 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
Schedules of Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability

Last 10 Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022
District's proportion of the net pension liability (asset)	0.0532%	0.05532%	0.05531%	0.05423%	0.05330%	0.04870%	0.04861%	0.05096%	0.05265%
District's share of the net pension liability (asset)	\$ 6,790,133	\$ 7,497,635	\$ 8,459,955	\$ 16,145,661	\$ 17,235,415	\$ 8,615,755	\$ 7,262,561	\$ 7,703,689	\$ 6,126,808
District's share of State's share of the net pension liability as a nonemployer contributing entity						\$ 1,178,085	\$ 921,163	-	\$ 702,360
Total						<u>\$ 9,793,840</u>	<u>\$ 8,183,724</u>	<u>\$ 7,703,689</u>	<u>\$ 6,829,168</u>
District's covered payroll	\$ 2,146,077	\$ 2,318,599	\$ 2,410,588	\$ 2,433,836	\$ 2,458,678	\$ 2,674,946	\$ 2,855,044	\$ 2,726,953	\$ 3,290,317
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	316.40%	323.37%	350.95%	663.38%	701.00%	322.09%	286.64%	282.50%	186.2%
Plan fiduciary net position as a percentage of the total pension liability	62.84%	64.07%	59.20%	75.84%	43.96%	57.01%	64.52%	66.99%	74.86%

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

Information is not available for years prior to 2014

Notes to Required Supplementary Information

See Note 5 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
Schedules of Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability

Last 10 Years

	2017	2018	2019	2020	2021	2022
District's proportion of the net OPEB liability (asset)	0.03080%	0.03030%	0.03160%	0.03175%	0.02949%	0.03437%
District's share of the net OPEB liability (asset)	\$ 399,639	\$ 393,582	\$ 430,304	\$ 356,896	\$ 280,209	\$ 296,417
District's covered payroll	\$ 2,437,049	\$ 2,497,157	\$ 2,674,946	\$ 2,855,044	\$ 2,726,953	\$ 3,290,317
District's proportionate share of the OPEB liability as a percentage of its covered payroll	16.40%	15.76%	16.09%	12.50%	10.28%	9.01%
Plan fiduciary net position as a percentage of the total OPEB liability	20.07%	21.25%	17.03%	24.49%	32.78%	39.40%

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

Information is not available for years prior to 2017

Notes to Required Supplementary Information

See Note 7 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Other Supplementary Information

June 30, 2022

Other supplementary information includes financial statements and schedules not required by the GASB, or a 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

Capital Projects Funds

Capital Projects Fund

Student Activity Fund

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual Debt Service Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Current property taxes	\$ 375,000	\$ 375,000	\$ 365,260	\$ (9,740)
Delinquent taxes and interest on taxes		455	993	538
Earnings on investments	400	400	736	336
Other		8	16	8
Total revenues	<u>375,400</u>	<u>375,863</u>	<u>367,005</u>	<u>(8,858)</u>
Expenditures				
Debt Service				
Principal	194,958	194,958	194,958	-
Interest	147,601	147,601	147,601	-
Appropriated reserves	408,285	386,751		386,751
Total expenditures	<u>750,844</u>	<u>729,310</u>	<u>342,559</u>	<u>386,751</u>
Excess revenues over (under) expenditures	(375,444)	(353,447)	24,446	377,893
Fund balance, beginning	375,444	353,447	353,447	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,893</u>	<u>\$ 377,893</u>

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual Capital Projects Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance Favorable
	Original	Final		(Unfavorable)
Revenues				
Local sources				
Earnings on investments	\$ 50	\$ 45	\$ 45	\$ -
Total local sources	50	45	45	-
State sources				
Small rural schools			41,198	41,198
Total state sources	-	-	41,198	41,198
Total revenues	50	45	41,243	41,198
Expenditures				
Operations and plant maintenance	3,250	89,999	13,153	76,846
Facilities			41,198	(41,198)
Appropriated reserves	69,060	69,061		69,061
Total expenditures	72,310	159,060	54,351	104,709
Other financing sources (uses)				
Transfers in (out)	3,200	89,954	48,756	(41,198)
Total other financing sources (uses)	3,200	89,954	48,756	(41,198)
Excess of revenues and other sources over (under) expenditures and other uses	(69,060)	(69,061)	35,648	104,709
Fund balance, beginning	69,060	69,061	69,061	-
Fund balance, ending	\$ -	\$ -	\$ 104,709	\$ 104,709

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual Student Activity Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments			\$ 38	\$ 38
Miscellaneous	\$ 180,000	\$ 180,000	101,668	(78,332)
Total local sources	180,000	180,000	101,706	(78,294)
Total revenues	180,000	180,000	101,706	(78,294)
Expenditures				
Instruction				
Other	180,000	180,000	121,929	58,071
Appropriated reserves	73,859	89,215		89,215
Total expenditures	253,859	269,215	121,929	147,286
Excess of revenues and other sources over (under) expenditures and other uses	(73,859)	(89,215)	(20,223)	68,992
Fund balance, beginning	73,859	89,215	89,215	-
Fund Balance, end of the year	\$ -	\$ -	\$ 68,992	\$ 68,992

INFORMATION REQUIRED BY OVERSIGHT AUTHORITIES

Majors and Haley, P.C.
Certified Public Accountants

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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 (Mancos) School District RE-6
Mancos, Colorado 81328

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 business-type activities, each major fund, and the aggregate remaining fund information of Montezuma County (Mancos) School District RE-6, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Montezuma County (Mancos) School District RE-6's basic financial statements, and have issued our report thereon dated September 21, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montezuma County (Mancos) School District RE-6'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 (Mancos) School District RE-6's internal control. Accordingly, we do not express an opinion on the effectiveness of Montezuma County (Mancos) School District RE-6'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

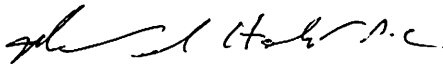
weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montezuma County (Mancos) School District RE-6'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.
September 21, 2022

Majors and Haley, P.C.
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**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 (Mancos) School District RE-6
Mancos, Colorado 81328

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Montezuma County (Mancos) School District RE-6'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, 2022. Montezuma County (Mancos) School District RE-6'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 (Mancos) School District RE-6 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, 2022.

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 (Mancos) School District RE-6 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 (Mancos) School District RE-6'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 (Mancos) School District RE-6'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 (Mancos) School District RE-6'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 (Mancos) School District RE-6'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 (Mancos) School District RE-6'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 (Mancos) School District RE-6'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 (Mancos) School District RE-6'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.

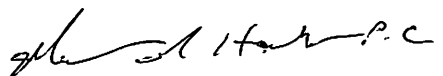
Report on Internal Control over Compliance

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.
September 21, 2022

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
CCDF Cluster-Cluster			
Department of Health and Human Services			
Child Care and Development Block Grant	93.575	Colorado Department of Human Services	\$ 31,795
<i>Total Department of Health and Human Services</i>			<u>31,795</u>
Total CCDF Cluster-Cluster			<u>31,795</u>
Child Nutrition Cluster-Cluster			
United States Department of Agriculture			
School Breakfast Program	10.553	Colorado Department of Education,5553	61,371
National School Lunch Program	10.555	Colorado Department of Human Services,4550	13,317
National School Lunch Program	10.555	Colorado Department of Education,5555	163,669
National School Lunch Program	10.555	Colorado Department of Education,6555	12,195
<i>Total National School Lunch Program</i>			<u>189,181</u>
<i>Total United States Department of Agriculture</i>			<u>250,552</u>
Total Child Nutrition Cluster-Cluster			<u>250,552</u>
Other Programs			
Department of Education			
Title I Grants to Local Educational Agencies	84.010	Colorado Department of Education,4010	168,248
Special Education - State Personnel Development	84.323	Colorado Department of Education,5323	10,000
Rural Education	84.358		33,752
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	Colorado Department of Education,4367	25,825
Student Support and Academic Enrichment Program	84.424	Colorado Department of Education,4424	10,000
Education Stabilization Fund	84.425	Colorado Department of Education,4420	192,223
Education Stabilization Fund	84.425	Colorado Department of Education,4414	571,944
Education Stabilization Fund	84.425	Colorado Department of Education,4432	3,000
<i>Total Education Stabilization Fund</i>			<u>767,167</u>
<i>Total Department of Education</i>			<u>1,014,992</u>
Department of Health and Human Services			
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Colorado Department of Education,7323	2,565
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	Colorado Department of Education,7354	4,000
<i>Total Department of Health and Human Services</i>			<u>6,565</u>
United States Department of Agriculture			
Pandemic EBT Administrative Costs	10.649	Colorado Department of Education,4649	614
<i>Total United States Department of Agriculture</i>			<u>614</u>
Total Other Programs			<u>1,022,171</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,304,518</u></u>

The accompanying notes are an integral part of this schedule

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2022

Organization

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of Montezuma County (Mancos) School District RE-6 for the year ended June 20, 2022. 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 (Mancos) School District RE-6 had no sub-recipients of federal funds for the year ended June 30, 2022.

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section 1- Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	_____ yes	_____ X _____ no
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund Under the Coronavirus Aid Relief , and Economic Security Act

Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee (single audit not required in prior years)	_____ yes	_____ X _____ no
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Section 2- Findings under Generally Accepted Government Auditing Standards

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

Section 3- Findings and Questioned Costs Under Uniform Guidance

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2022

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

MONTEZUMA COUNTY (MANCOS) SCHOOL DISTRICT RE-6

SCHEDULE OF CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2022

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: 2070 - Mancos Re-6
Fiscal Year 2021-22

Colorado School District/BOCES

Page: 1

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental			
10 General Fund	2,555,194	6,318,942	2,982,446
18 Risk Mgmt Sub-Fund of General Fund	0	0	0
19 Colorado Preschool Program Fund	20,768	252,093	22,855
Sub- Total	2,575,962	6,571,034	3,005,301
11 Charter School Fund	0	0	0
20-26-29 Special Revenue Fund	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0
07 Total Program Reserve Fund	0	0	0
21 Food Service Spec Revenue Fund	31,015	334,277	61,991
22 Govt Designated-Purpose Grants Fund	0	0	0
23 Pupil Activity Special Revenue Fund	89,215	101,706	68,992
25 Transportation Fund	0	0	0
31 Bond Redemption Fund	353,447	367,006	377,893
39 Certificate of Participation (COP) Debt Service Fund	0	0	0
41 Building Fund	0	0	0
42 Special Building Fund	0	0	0
43 Capital Reserve Capital Projects Fund	69,061	89,999	104,709
46 Supplemental Cap Const, Tech, Main Fund	0	0	0
Totals	3,118,700	7,464,023	3,618,886
Proprietary			
50 Other Enterprise Funds	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0
60,65-69 Other Internal Service Funds	0	0	0
Totals	0	0	0
Fiduciary			
70 Other Trust and Agency Funds	0	0	0
72 Private Purpose Trust Fund	0	0	0
73 Agency Fund	0	0	0
74 Pupil Activity Agency Fund	0	0	0
79 GASB 34 Permanent Fund	0	0	0
85 Foundations	0	0	0
Totals	0	0	0
FINAL			
Totals	3,118,700	7,464,023	3,618,886

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.
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