
BAYFIELD SCHOOL DISTRICT
NUMBER 10-JTR
FINANCIAL STATEMENTS
JUNE 30, 2020

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Education
Bayfield School District 10-JtR
Bayfield, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information for Bayfield School District 10-JtR (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards as applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of the District's pension contributions, schedule of the District's proportionate share of the net other postemployment benefit (OPEB) liability and schedule of the District's OPEB contributions on pages i through vii and on pages 46 through 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 District's basic financial statements. The accompanying combining nonmajor fund financial statements, the Colorado Department of Education Auditors Integrity Report, the schedule of changes in assets and liabilities - student activity fund and the budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the Colorado Department of Education Auditor's Electronic Financial Data Integrity Check Figures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the Colorado Department of Education Auditors Integrity Report 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 December 15, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RubinBrown LLP

December 15, 2020

Bayfield School District 10 Jt-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020

To the Board of Education, parents, taxpayers, and members of Bayfield School District 10-JtR (the "District"):

The discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- The liabilities and deferred inflows of the District exceeded its assets and deferred outflows on June 30, 2020 by \$14,582,216, a decrease of \$4,786,207 from the prior year. Of this amount, negative \$32,616,762 is unrestricted. The significant negative net position is due to the District's required reporting of the District's proportional share of the Colorado PERA's managed Pension Plan and Retiree Health Care Trust Fund.
- The District's long-term obligations were \$65,221,728 at June 30, 2020.
- At June 30, 2020 the District's governmental funds reported combined ending fund balances \$8,690,796.
- The governmental funds have unassigned fund balance of \$5,477,242.
- At June 30, 2020, \$462,537 of the general fund was reserved for the emergency contingency required by state law.
- The final 2019-2020 per pupil funding amount after the negative factor was \$8,795.

Financial Statement Overview

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Bayfield School District 10 Jt-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020

District-wide Financial Statements

The district-wide financial statements are designed to provide the reader of the District's comprehensive annual financial report a broad overview of the financial activities in a manner similar to a private sector business. The district-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all of the District's assets, deferred outflows and liabilities and deferred inflows. The difference between District's assets, deferred outflows and liabilities and deferred inflows reported as net position. Over time, changes in net position may serve as a useful indicator of the District's financial health.

The statement of activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the District that are supported from taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or most of their costs from user fees and charges. Governmental activities consolidate governmental funds including the General Fund, Food Service Fund, Governmental Designated Purpose Grants (Grant Fund), Debt Service Fund, Building Fund, and Capital Reserve Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. The District, like other governments, uses fund accounting to ensure and demonstrate compliance. All District funds can be divided into two categories: governmental funds, and fiduciary funds.

Governmental funds account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Because the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Since the focus of each report differs, reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

Bayfield School District 10 Jt-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020

The District maintains three major governmental funds. The major funds are the General Fund, the Debt Service Fund, and the Building Fund. They are presented separately in the fund financial statements with the remaining governmental funds combined into a single aggregated presentation labeled nonmajor governmental funds. Individual fund information for the nonmajor funds is presented as other supplemental information elsewhere in this document.

Fiduciary funds are used to account for resources held for the benefits of parties outside of the district. Fiduciary funds are not reported in the district-wide financial statements because the resources of those funds are not available for the support of the District's programs. These funds belong to the various student activity groups throughout the District. The accounting used for fiduciary funds is the same as that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District. The District adopts an annual appropriation budget for all its funds. A budgetary comparison schedule has been provided for the General, Food Service, Grant, Debt Service, and Building funds to demonstrate compliance with this budget.

District-wide Financial Analysis

The assets of the District are classified as current assets and capital assets. Cash and investments, receivables, and inventories are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of proceeds of the property tax collection process. The District received approximately 85% of the annual property tax assessment in March, May and June.

Capital assets are used in the operations of the District. These assets are land, improvements, buildings, equipment, and vehicles.

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

Bayfield School District 10 Jt-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020

Condensed Statement of Net Position

| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|--|------------------------|------------------------|------------------------|
| Assets | | | |
| Current assets | \$ 11,092,319 | \$ 9,978,303 | \$ 18,510,372 |
| Net Capital Assets | <u>57,752,091</u> | <u>59,434,179</u> | <u>53,749,598</u> |
| Total Assets | <u>68,844,410</u> | <u>69,412,482</u> | <u>72,259,970</u> |
| Deferred Outflows of Resources | | | |
| Deferred Outflows for Pensions and OPEB | 2,177,437 | 11,080,810 | 18,444,227 |
| Deferred loss on Bond Refunding | <u>6,100</u> | <u>22,367</u> | <u>38,635</u> |
| Total Deferred Outflows of Resources | <u>2,183,537</u> | <u>11,103,177</u> | <u>18,482,862</u> |
| Total Assets and Deferred Outflow of Resources | <u>\$ 71,027,947</u> | <u>\$ 80,515,659</u> | <u>\$ 90,742,832</u> |
| Liabilities | | | |
| Current Liabilities | \$ 4,239,620 | \$ 3,561,638 | \$ 5,451,557 |
| Pension and other long-term liabilities | <u>65,221,728</u> | <u>72,018,776</u> | <u>105,407,692</u> |
| Total Liabilities | <u>69,461,348</u> | <u>75,580,414</u> | <u>110,859,249</u> |
| Deferred Inflows of Resources | 16,148,815 | 24,303,668 | 3,629,174 |
| Total Liabilities and Deferred Inflows of Resources | <u>85,610,163</u> | <u>99,884,082</u> | <u>114,488,423</u> |
| Net Position | | | |
| Investment in Capital Assets, Net of Related Debt | 14,976,216 | 14,930,793 | 7,563,702 |
| Restricted | 3,058,330 | 4,291,199 | 3,326,066 |
| Unrestricted | <u>(32,616,762)</u> | <u>(38,590,415)</u> | <u>(34,635,359)</u> |
| Total Net Position | <u>\$ (14,582,216)</u> | <u>\$ (19,368,423)</u> | <u>\$ (23,745,591)</u> |

The Statement of Activities and Changes in Net Position reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The dependence upon property tax and state funding revenues is significant. Over 98% of general revenue is provided by property taxes and state revenue.

Bayfield School District 10 Jt-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020

Condensed Statement of Activities and Changes in Net Position

| | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|---------------------------------|------------------------|------------------------|------------------------|
| Revenue | | | |
| Program Revenue | | | |
| Charges for Services | \$ 156,419 | \$ 182,752 | \$ 206,285 |
| Operating and Capital Grants | 1,285,550 | 1,934,977 | 7,034,089 |
| Total Program Revenue | <u>1,441,969</u> | <u>2,117,729</u> | <u>7,240,374</u> |
| General Revenue: | | | |
| Property Taxes | 7,951,214 | 7,961,486 | 7,742,400 |
| State Sources | 10,965,254 | 10,061,928 | 9,255,691 |
| Investment Earnings | 101,716 | 141,642 | 201,944 |
| Other | 158,714 | 205,748 | 185,155 |
| Total General Revenue | <u>19,176,898</u> | <u>18,370,804</u> | <u>17,385,190</u> |
| Total Revenues | <u>20,618,867</u> | <u>20,488,533</u> | <u>24,625,564</u> |
| | | | |
| Expenses | | | |
| Instruction | 4,292,983 | 5,466,574 | 19,209,800 |
| Pupil Activities | 5,837,675 | 5,513,477 | 5,012,883 |
| Support and Administration | 4,068,711 | 3,469,703 | 3,322,879 |
| Interest and Fiscal Charges | 1,633,291 | 1,661,611 | 1,531,320 |
| Total Expenses | <u>15,832,660</u> | <u>16,111,365</u> | <u>29,076,882</u> |
| | | | |
| Change in net position | <u>4,786,207</u> | <u>4,377,168</u> | <u>(4,451,318)</u> |
| | | | |
| Net Position Beginning of Year | <u>(19,368,423)</u> | <u>(23,745,591)</u> | <u>(19,294,273)</u> |
| Net Position End of Year | <u>\$ (14,582,216)</u> | <u>\$ (19,368,423)</u> | <u>\$ (23,745,591)</u> |

Financial Analysis of the District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenue and other financing sources of \$20.5 million, an increase of \$49,000 from the previous year, primarily due to declining Program Revenue offset by increases in General Revenue. The Program Revenue decline is due to zero BEST Grant revenue supporting the construction of the new intermediate and remodel of the primary school as the construction was substantially completed early in the prior year.

Total governmental expenditures were \$20.1 million, a decrease of \$6.8 million from the previous year. This decrease is primarily due to a decline of \$7.4 million in capital expenditures associated with the construction of the intermediate and remodel of the primary school as the construction was substantially completed early in the prior year.

Bayfield School District 10 Jt-R
 Management's Discussion and Analysis
 For the fiscal year ended June 30, 2020

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2020 amounts to approximately \$15.0 million. This investment in capital assets includes land, improvements, buildings, equipment and vehicles less accumulated depreciation and related debt outstanding.

Major capital asset events during the current fiscal year included the following:

- Upgrades and improvements to various district buildings, including the building used for Pueblo Community College and maintenance shop. The roof was replaced at Bayfield Middle School.
- Purchase of district computer equipment for students and staff and safety equipment to better link the district with local emergency agencies. The safety equipment was purchased with a separate grant.

Summary of Net Investment in Capital Assets

| | Governmental Activities |
|---|----------------------------|
| Land | \$ 1,598,126 |
| Construction in Progress | 117,852 |
| Buildings and improvements | 77,023,920 |
| Vehicles and equipment | <u>4,109,682</u> |
| Total Capital Assets | 82,849,580 |
| Less Accumulated Depreciation | (25,097,489) |
| Less Related Debt | <u>(42,775,875)</u> |
| Net Investment in Capital Assets | <u>\$14,976,216</u> |

Additional information on the District's capital assets can be found in Note 3 to the financial statements.

Long-term Debt

At June 30, 2020, the District had \$39,745,000 in general obligation bonds outstanding. Other long-term obligations include compensated absences in the amount of \$366,314.

More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

Bayfield School District 10 Jt-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020

Economic Factors and Next Year's Budget and Rates

The 2020-2021 fiscal year adopted general fund budget includes \$16.3 million for estimated expenditures and transfers. The total estimated general fund revenue for the 2020-2021 budget is \$15.4 million. The Bayfield School Board has approved the use of beginning budget to supplement the shortfall in estimated revenue. The estimated available fund balance at June 30, 2021 is \$4.3 million. The general fund revenue budget was based on a funded pupil count of 1,454 and per pupil funding of \$8,100. The projected state share of the program funding amount is approximately \$9.9 million.

Requests For Information

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

John Moore
Director of Finance
Bayfield School District 10 Jt-R
24 Clover Drive
Bayfield, Colorado 81122
(970) 884-2496

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

STATEMENT OF NET POSITION

June 30, 2020

Assets And Deferred Outflows Of Resources

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Cash, cash equivalents and investments | \$ 10,602,862 |
| Property tax receivable | 374,932 |
| Accounts and grants receivable | 104,210 |
| Inventory | 10,315 |
| Capital assets, net: | |
| Nondepreciable | 1,715,978 |
| Depreciable | 56,036,113 |
| Total Assets | <u>68,844,410</u> |
| Deferred Outflows Of Resources | |
| Deferred outflows - pension | 2,121,929 |
| Deferred outflows - OPEB | 55,508 |
| Deferred loss on refunding | 6,100 |
| Total Deferred Outflows Of Resources | <u>2,183,537</u> |

Liabilities, Deferred Inflows Of Resources And Net Position

| | |
|--|------------------------|
| Liabilities | |
| Accounts payable | 200,669 |
| Accrued expenses | 1,558,934 |
| Unearned revenues | 458,925 |
| Accrued interest payable | 144,050 |
| Long-term liabilities: | |
| Due within one year | 1,877,042 |
| Due in more than one year | 41,271,247 |
| Net pension liability | 22,828,179 |
| Net OPEB liability | 1,122,302 |
| Total Liabilities | <u>69,461,348</u> |
| Deferred Inflows Of Resources | |
| Deferred inflows - pension | 15,912,575 |
| Deferred inflows - OPEB | 236,240 |
| Total Deferred Inflows Of Resources | <u>16,148,815</u> |
| Net Position | |
| Net investment in capital assets | 14,976,216 |
| Restricted for: | |
| TABOR | 462,537 |
| Capital projects | 109,257 |
| Debt service | 2,459,720 |
| Food service | 26,816 |
| Unrestricted | (32,616,762) |
| Total Net Position | <u>\$ (14,582,216)</u> |

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

STATEMENT OF ACTIVITIES For The Year Ended June 30, 2020

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue And Changes In Net Position |
|--------------------------------------|---------------|-------------------------|--|--|
| | | Charges For Services | Operating Grants And Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Instruction | \$ 4,292,983 | \$ — | \$ 1,285,550 | \$ (3,007,433) |
| Support services | 5,837,675 | 156,419 | — | (5,681,256) |
| Instructional support | 4,068,711 | — | — | (4,068,711) |
| Interest and fiscal charges | 1,633,291 | — | — | (1,633,291) |
| Total Governmental Activities | \$ 15,832,660 | \$ 156,419 | \$ 1,285,550 | (14,390,691) |
| General Revenues | | | | |
| | | | | 7,951,214 |
| | | | | 10,255,740 |
| | | | | 709,514 |
| | | | | 101,716 |
| | | | | 158,714 |
| | | | | 19,176,898 |
| | | | | 4,786,207 |
| | | | | (19,368,423) |
| | | | | \$ (14,582,216) |

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2020

| Assets | | | | | |
|--|---------------------|-------------------------|-------------------|-----------------------------------|--------------------------------|
| | General Fund | Debt Service Fund | Building Fund | Nonmajor Governmental Funds | Total Governmental Funds |
| Cash, cash equivalents and investments | \$ 7,799,510 | \$ 2,429,936 | \$ 215,781 | \$ 157,635 | \$ 10,602,862 |
| Receivables: | | | | | |
| Accounts | 81,030 | — | — | — | 81,030 |
| Property tax | 201,098 | 173,834 | — | — | 374,932 |
| Grants | — | — | — | 23,180 | 23,180 |
| Inventories | — | — | — | 10,315 | 10,315 |
| Total Assets | \$ 8,081,638 | \$ 2,603,770 | \$ 215,781 | \$ 191,130 | \$ 11,092,319 |
| Liabilities, Deferred Inflow Of Resources And Fund Balance | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 73,664 | \$ — | \$ 106,524 | \$ 20,481 | \$ 200,669 |
| Accrued expenses | 1,521,263 | — | — | 37,671 | 1,558,934 |
| Unearned revenue | 448,781 | — | — | 10,144 | 458,925 |
| Total Liabilities | 2,043,708 | — | 106,524 | 68,296 | 2,218,528 |
| Deferred Inflow Of Resources | | | | | |
| Unavailable property tax revenue | 98,151 | 84,844 | — | — | 182,995 |
| Fund Balance | | | | | |
| Nonspendable | — | — | — | 10,315 | 10,315 |
| Restricted: | | | | | |
| Emergencies | 462,537 | — | — | — | 462,537 |
| Capital projects | — | — | 109,257 | — | 109,257 |
| Debt service | — | 2,518,926 | — | — | 2,518,926 |
| Food service | — | — | — | 26,816 | 26,816 |
| Assigned | — | — | — | 85,703 | 85,703 |
| Unassigned | 5,477,242 | — | — | — | 5,477,242 |
| Total Fund Balance | 5,939,779 | 2,518,926 | 109,257 | 122,834 | 8,690,796 |
| Total Liabilities, Deferred Inflows Of Resources And Fund Balance | \$ 8,081,638 | \$ 2,603,770 | \$ 215,781 | \$ 191,130 | \$ 11,092,319 |

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2020

| | | |
|---|---------------------|---------------------|
| Total Governmental Funds Balances | \$ | 8,690,796 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. | | 57,752,091 |
| Unavailable revenues are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | 182,995 |
| Deferred loss on refunding is recognized when incurred in the funds and is deferred and amortized in the statement of activities. Similarly, bond premiums are recognized as revenue in the funds when issued but are amortized in the statement of activities. The unamortized portion of these long-term debt-related items is included with governmental activities. | | |
| Bond premium | \$ (3,036,975) | |
| Deferred loss on refunding | <u>6,100</u> | (3,030,875) |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | | (144,050) |
| Pension liability and related deferred outflows and deferred inflows are not considered current and, therefore, not reported in the funds. | | |
| Deferred outflows | 2,121,929 | |
| Deferred inflows | (15,912,575) | |
| Net pension liability | <u>(22,828,179)</u> | (36,618,825) |
| OPEB liability and related deferred outflows and deferred inflows are not considered current and, therefore, not reported in the funds. | | |
| Deferred outflows | 55,508 | |
| Deferred inflows | (236,240) | |
| Net OPEB liability | <u>(1,122,302)</u> | (1,303,034) |
| Liabilities not due and payable in the current period are not reported in the funds but are reported on the statement of net position. | | |
| General obligation bonds and other debt | (39,745,000) | |
| Compensated absences | <u>(366,314)</u> | (40,111,314) |
| Net Position Of Governmental Activities | \$ | <u>(14,582,216)</u> |

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For The Year Ended June 30, 2020

| | General | Debt Service Fund | Building Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------|-------------------|-----------------------------------|--------------------------------|
| Revenues | | | | | |
| Property taxes | \$ 4,562,833 | \$ 3,306,843 | \$ — | \$ — | \$ 7,869,676 |
| Grant revenue | 564,053 | — | — | — | 564,053 |
| Intergovernmental | 10,965,254 | — | — | 498,673 | 11,463,927 |
| Charges for services | — | — | — | 156,419 | 156,419 |
| Local sources | — | — | — | 222,824 | 222,824 |
| Investment income | 74,372 | 22,866 | 4,478 | — | 101,716 |
| Other | 138,433 | — | — | 30,545 | 168,978 |
| Total Revenues | 16,304,945 | 3,329,709 | 4,478 | 908,461 | 20,547,593 |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | 8,455,501 | — | — | 171,610 | 8,627,111 |
| Supporting services | 3,314,978 | — | — | 364,758 | 3,679,736 |
| Operations and maintenance of facilities | 1,849,306 | — | — | — | 1,849,306 |
| Student transportation | 678,599 | — | — | — | 678,599 |
| Central services | 1,121,899 | — | — | 418,907 | 1,540,806 |
| Capital outlay | 6,600 | — | 433,436 | 46,079 | 486,115 |
| Debt service: | | | | | |
| Principal | — | 1,495,000 | — | — | 1,495,000 |
| Interest and fees | — | 1,758,925 | — | — | 1,758,925 |
| Total Expenditures | 15,426,883 | 3,253,925 | 433,436 | 1,001,354 | 20,115,598 |
| Excess (Deficiency) Revenues Over | | | | | |
| Expenditures | 878,062 | 75,784 | (428,958) | (92,893) | 431,995 |
| Other Financing Sources (Uses) | | | | | |
| Interfund transfers | 773,498 | (921,498) | — | 148,000 | — |
| Net Change In Fund Balance | 1,651,560 | (845,714) | (428,958) | 55,107 | 431,995 |
| Fund Balance - Beginning Of Year | 4,288,219 | 3,364,640 | 538,215 | 67,727 | 8,258,801 |
| Fund Balance - End Of Year | \$ 5,939,779 | \$ 2,518,926 | \$ 109,257 | \$ 122,834 | \$ 8,690,796 |

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For The Year Ended June 30, 2020

Net Change In Fund Balances - Total Governmental Funds \$ 431,995

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

| | | |
|-----------------------------------|--------------------|-------------|
| Capital additions | \$ 823,858 | |
| Net book value of disposed assets | (10,264) | |
| Depreciation expense | <u>(2,495,682)</u> | (1,682,088) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 81,538

The issuance of long-term debt (i.e., bonds and leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities

| | | |
|--|--------------|-----------|
| Bond principal payments | 1,495,000 | |
| Net activity of bond premiums | 248,777 | |
| Net activity related to amortizing deferred loss on refundings | (16,267) | |
| Change in compensated absences | (111,722) | |
| Change in accrued interest payable | <u>4,846</u> | 1,620,634 |

Pension benefit reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the funds. 4,311,240

OPEB benefit reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the funds. 22,888

Change In Net Position Of Governmental Activities \$ 4,786,207

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
STUDENT ACTIVITY AGENCY FUND
June 30, 2020

Assets

Cash

\$ 322,528

Liabilities

Due to student groups

\$ 322,528

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. Summary Of Significant Accounting Policies

Reporting Entity

The financial statements of the Bayfield School District Number 10-JtR (the District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units and the *Financial Policies and Procedures Handbook* as prescribed by state law. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

The District was organized under the provisions of Colorado statutes for the purpose of operating elementary and secondary schools in Bayfield, Colorado.

The inclusion or exclusion of component units is based on a determination of the elected officials' financial accountability to their constituents and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government and discretely presented component units. The criteria used to determine whether an entity should be included, either blended or discretely presented, includes, but is not limited to, fiscal dependency, imposition of will, legal standing and the primary recipient of services. The District has no component units included in this report.

Measurement Focus, Basis Of Accounting And Basis Of Presentation

District-Wide And Fund Financial Statements

The District-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are normally supported by taxes and intergovernmental revenues.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The District has the following fund types and account groups:

Governmental Funds are used to account for the District's general government activities. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The District considers all revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for certain long-term obligations. These include unmatured principal and interest on general long-term debt, which is recognized when due, and compensated absences, which are recognized when due and payable.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

Property taxes, interest, grants and entitlements are susceptible to accrual. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The major governmental funds are:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- *Colorado Preschool Project Fund* - This fund is used to account for revenues and expenditures associated with the Colorado Preschool Project. This fund is blended with the General Fund.
- *Debt Service Fund* - This fund accounts for servicing of general long-term debt.
- *Building Fund* - This fund is used to account for funds to be utilized in capital projects financed by debt issuances authorized by voters in November 2012. The District has elected to report this fund as a major governmental fund.

The nonmajor governmental funds are:

- *Governmental Designated Purpose Grants Fund* - This fund is used to account for revenues and expenditures associated with federal and state grants.
- *Food Service Fund* - This fund is used to account for the operations of the school breakfast and lunch programs.
- *Capital Projects Fund* - This fund is used to account for funds used to purchase capital assets, with the exception of those projects financed by debt issuances authorized by voters in November 2012.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

Fiduciary Funds include the following fund:

- *Student Activity Agency Fund* - This fund is used to account for the funds that belong to the various student activity groups throughout the District.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows Of Resources, Liabilities, Deferred Inflows Of Resources And Net Position/Fund Balance

Deposits And Investments

Cash and cash equivalents include all interest or equity in pooled cash and investments. The District pools cash for some funds for management and investment purposes. These funds have an interest in the pool, which is available upon demand. Investments in securities are measured at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Investments in joint ventures by governmental funds are recorded as expenditures at the time the investment is made.

Receivables And Payables

Property taxes are levied by the Board of Education. The levy is based on assessed valuations determined by the County Assessors generally as of January 1 of each year. The levy is set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of December of each year.

The County Treasurers collect the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or, if in equal installments, at the taxpayers' election, on February 28 and June 15. Delinquent taxpayers are notified in August, and tax sales of the liens on delinquent properties are held in November. The County Treasurers remit the taxes collected monthly to the District.

Inventories

Inventories are held by the Food Service Fund and are valued at cost using the first-in/first-out method. The District utilizes the purchase method of accounting for inventory. The federal government donates surplus commodities to supplement the National School Lunch and Breakfast Programs. Such commodities are recorded as operating revenues and expenses.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

Capital Assets

Capital assets are recorded at cost or historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the estimated useful lives of 5 to 30 years. The District's capitalization threshold is \$5,000.

Deferred Outflows/Inflows Of Resources

In addition to assets, the statement of net position and governmental funds balance sheet will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then. The District has recognized deferred outflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* (GASB 68), GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 71) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). Also, deferred losses on refundings are reported in the statement of net position as a deferred outflow of resources.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then. The District has multiple types that qualify for reporting in this category. Unavailable property tax revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Also, the District has recognized deferred inflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB 68, GASB 71 and GASB 75.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

Pensions

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

The Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate With a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years* (SB 18-200). The bill was signed into law by the Governor of Colorado on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

Postemployment Benefits Other Than Pensions

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) fund administered by PERA. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of HCTF 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.

Compensated Absences

Each employee of the District may accumulate a total of 60 days of sick leave. Employees are paid for the accumulated sick leave upon retirement or other termination.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

The District accrues a liability for compensated absences, which meet the following criteria:

- The District's obligation relating to employee rights to receive compensation for future absences is attributable to employee services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

These compensated absences are recognized as current salary costs when due in the governmental funds. A long-term liability has been reported in the District-wide financial statements for the accrued compensated absences.

Accrued Salaries

Salaries and benefits to teachers and certain other employees are paid over a 12-month period from August 31 to August 30, but are earned over a school year of approximately 9 months. The salaries earned, but unpaid, at June 30, 2020 are reflected in the financial statements as an accrued liability.

Long-Term Obligations

The District reports long-term debt and other long-term obligations as liabilities in the District-wide financial statements. Bond premiums and discounts and deferred amounts in refundings are deferred and amortized over the life of the bonds using the straight-line method. Reported bonds payable include the effect of bond premiums and discounts.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financing source while premiums received are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Issuance costs are also expensed in the government-wide statement of activities.

Fund Balance

The District has not adopted fund balance policies; therefore, the District will follow the guidance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and apply resources in the following order: restricted, committed, assigned and unassigned. Fund balance restricted for emergencies reflects equity which is restricted for emergency purposes by the Taxpayer Bill of Rights Amendment (TABOR) of the State of Colorado Constitution. “Emergency” excludes economic conditions, revenue shortfalls or District salary or fringe benefit increases. In the fund financial statements, the governmental funds report the following classifications of fund balance:

- *Nonspendable* - includes items not expected to be converted to cash in the near term (e.g., inventories and prepaids) or funds that legally or contractually must be maintained intact.
- *Restricted* - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- *Committed* - consists of funds intended to be used for specific purposes determined by a formal action of the Board of Education. The Board of Education is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board of Education.
- *Assigned* - consists of funds intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. The District has delegated the authority to the Superintendent, or his designee, to assign funds and amounts to be used for specific purposes.
- *Unassigned* - the residual classification of the General Fund which includes all spendable amounts not contained in other classifications. This category also provides the resources necessary to meet any unexpected expenditures and revenue shortfalls.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (Continued)

Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable, available financial resources.

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. All interfund transfers are reported as operating transfers.

During the year ended June 30, 2020, the District transferred \$921,498 from the Debt Service Fund to the General Fund in connection with correcting certain prior year allocations of specific ownership tax revenues to the Debt Service Fund. Interfund transfers for the year ended June 30, 2020 are as follows:

| | Transfers From | | Total |
|----------------------------|-------------------|-------------------|---------------------|
| | General Fund | Debt Service Fund | |
| Transfers to: | | | |
| General Fund | \$ — | \$ 921,498 | \$ 921,498 |
| Nonmajor Governmental Fund | 148,000 | — | 148,000 |
| Total | \$ 148,000 | \$ 921,498 | \$ 1,069,498 |

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

Related Organizations

The District participates in joint ventures created for special purposes which are not part of the District's reporting entity. The following is a related organization in which the District participates:

- ***San Juan Board of Cooperative Educational Services*** - The District is one of five school districts that are members of the San Juan Board of Cooperative Educational Services (the BOCES). The BOCES is a regional education service unit created under the Board of Cooperative Services Act of 1965 of the Colorado Revised Statutes (CRS). The BOCES provides unique education services that the member districts could not provide individually on a cost-effective basis. A board, made up of representatives from each member district's board, governs the BOCES. The governing board is autonomous as to budgeting and fiscal matters. The BOCES is not fiscally dependent upon the District, and is not considered a component unit under GASB Statement Nos. 14, 39 and 61. Financial statements for the BOCES can be obtained by contacting the Director of Business Services at 970.247.3261.

Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses. Actual results could differ from these estimates.

Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statute for all funds. In April, the Superintendent of Schools submits to the Board of Education a proposed budget for all funds for the fiscal year commencing the following July 1. Public hearings are conducted by the Board of Education to obtain taxpayer comments. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the governmental and proprietary funds. The appropriated budget is prepared by fund.

The District's department heads may not make transfers of appropriations. The legal level of control is the fund level.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

Authorization to transfer budgeted amounts between departments within any fund and the reallocation of budget line items within any department within any fund rests with the Superintendent of Schools. Revisions that alter the total expenditures of any fund must be approved by the Board of Education. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Education.

Variances between budget and actual results can arise from the nonexpenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects and normal operating variances.

2. Cash, Cash Equivalents And Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government to deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. As of June 30, 2020, the District had bank deposits of \$10,990,625, of which \$580,943 was covered by the Federal Deposit Insurance Corporation and the remainder was covered by PDPA.

Investments

The District follows the Colorado State Statute investment requirements. Beyond Colorado State Statute requirements, the District does not have a written investment policy that limits the District's allowable deposits or investments and addresses the specific types of risk to which the District is exposed.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include the following:

- Obligations of the United States and certain U.S. government agencies' securities
- Certain international agencies' securities

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptance of certain banks
- Commercial paper holding the highest credit rating category and with a maturity within 180 days
- Corporate bonds holding one of the two highest credit rating categories
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

As of June 30, 2020, the District had no investments required to be categorized in the fair value hierarchy.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates. State statutes limit investments in U.S. agency securities to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. Based on the current rate environment, the District assumes all investments will be held to maturity. As of June 30, 2020, no coupon and discount securities had investment maturities greater than five years.

Credit Risk - Colorado state statutes limit investments in U.S. agency securities to the highest rating issued by nationally recognized statistical rating organizations. The District's policy is to invest in financial institutions that qualify as an eligible public depository in accordance with state law.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (Continued)

Concentration Of Credit Risk - State statutes do not limit the amount the District may invest in one issuer. The District does not have a formal investment policy that places limits in amounts invested in a single issuer.

3. Capital Assets

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

| | Balance | | | | | Balance |
|--|----------------------|-----------------------|--------------------|-------------|----------------------|---------|
| | July 1, 2019 | Additions | Deletions | Transfers | June 30, 2020 | |
| Nondepreciable Capital Assets | | | | | | |
| Land | \$ 1,598,126 | \$ — | \$ — | \$ — | \$ 1,598,126 | |
| Construction in progress | — | 117,852 | — | — | 117,852 | |
| Total Nondepreciable Capital Assets | 1,598,126 | 117,852 | — | — | 1,715,978 | |
| Depreciable Capital Assets | | | | | | |
| Buildings | 76,087,600 | 238,273 | — | — | 76,325,873 | |
| Vehicles and equipment | 4,137,727 | 448,790 | (476,835) | — | 4,109,682 | |
| Improvements | 679,104 | 18,943 | — | — | 698,047 | |
| Total Assets Being Depreciated | 80,904,431 | 706,006 | (476,835) | — | 81,133,602 | |
| Accumulated Depreciation | (23,068,378) | (2,495,682) | 466,571 | — | (25,097,489) | |
| Total Depreciable Capital Assets | 57,836,053 | (1,789,676) | (10,264) | — | 56,036,113 | |
| Capital Assets, Net | \$ 59,434,179 | \$ (1,671,824) | \$ (10,264) | \$ — | \$ 57,752,091 | |

4. Long-Term Obligations

During the period ended June 30, 2020, the following changes occurred in liabilities reported in the general long-term debt account group:

| | Balance | | Balance | | |
|-----------------------|----------------------|-------------------|---------------------|----------------------|---------------------|
| | July 1, 2019 | Additions | Deletions | June 30, 2020 | Current |
| Bonds Payable | | | | | |
| General Obligations: | | | | | |
| Series 2012 | \$ 4,385,000 | \$ — | \$ — | \$ 4,385,000 | \$ — |
| Series 2013 | 7,515,000 | — | — | 7,515,000 | 745,000 |
| Series 2015 Refunding | 1,945,000 | — | 830,000 | 1,115,000 | 110,000 |
| Series 2016 | 27,395,000 | — | 665,000 | 26,730,000 | 700,000 |
| Total Bonds | 41,240,000 | — | 1,495,000 | 39,745,000 | 1,555,000 |
| Bond premiums | 3,285,752 | — | 248,777 | 3,036,975 | 248,779 |
| Compensated absences | 254,592 | 290,560 | 178,838 | 366,314 | 73,263 |
| Total | \$ 44,780,344 | \$ 290,560 | \$ 1,922,615 | \$ 43,148,289 | \$ 1,877,042 |

Compensated absences of the governmental activities are expected to be liquidated with revenues of the General and Food Service Funds.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

General Obligation Bonds, Series 2012

Bonds were issued December 28, 2012 totaling \$4,385,000. Proceeds of these bonds were to finance the acquisition, construction and equipping of certain capital improvements, as approved by voters in the November 2012 election. The bonds are payable in denominations of \$5,000, and the interest rate is 4.0%. Interest is due semiannually on June 1 and December 1. Principal payments are due beginning December 1, 2029 and each year thereafter to 2032.

General Obligation Bonds, Series 2013

Bonds were issued April 24, 2013 totaling \$7,515,000. Proceeds of these bonds were to finance the acquisition, construction and equipping of certain capital improvements, as approved by voters in the November 2012 election. The bonds are payable in denominations of \$5,000, and interest rates range from 2.0% to 4.0%. Interest is due semiannually on June 1 and December 1. Principal payments are due beginning December 1, 2020 and each year thereafter to 2028.

General Obligation Refunding Bonds, Series 2015

Bonds were issued November 18, 2015 totaling \$3,535,000. Proceeds of these bonds were to establish an escrow sufficient to refund the remaining balance of the General Obligation Refunding Bonds, Series 2005. The bonds are payable in denominations of \$5,000, and interest rates range from 2.0% to 3.0%. Interest is due semiannually on June 1 and December 1. Principal payments are due beginning December 1, 2016 and each year thereafter to 2028.

General Obligation Bonds, Series 2016

Bonds were issued December 6, 2016 totaling \$28,700,000. Proceeds of these bonds were to finance the acquisition, construction and equipping of certain capital improvements, specifically building a new grade 3 - 5 elementary school, renovating the existing elementary school and making improvements to site safety and security at the existing middle school as approved by voters in the November 2016 election. The bonds are payable in denominations of \$5,000, and interest rates range from 2.0% to 5.0%. Interest is due semiannually on June 1 and December 1. Principal payments are due beginning December 1, 2017 and each year thereafter to 2041.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (Continued)

Annual debt service requirements to maturity for all outstanding bonds and long-term debt are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--|----------------------|----------------------|----------------------|
| 2021 | \$ 1,555,000 | \$ 1,702,550 | \$ 3,257,550 |
| 2022 | 1,605,000 | 1,649,500 | 3,254,500 |
| 2023 | 1,660,000 | 1,594,350 | 3,254,350 |
| 2024 | 1,715,000 | 1,529,075 | 3,244,075 |
| 2025 | 1,795,000 | 1,453,050 | 3,248,050 |
| 2026 - 2030 | 10,105,000 | 5,968,925 | 16,073,925 |
| 2031 - 2035 | 9,620,000 | 3,585,400 | 13,205,400 |
| 2036 - 2040 | 7,990,000 | 1,638,850 | 9,628,850 |
| 2041 - 2042 | 3,700,000 | 149,400 | 3,849,400 |
| Total | \$ 39,745,000 | \$ 19,271,100 | \$ 59,016,100 |

5. Employee Retirement Plan - Defined Benefit Pension Plan

Plan Description - Eligible employees of the District are provided with pensions through SCHDTF - a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of CRS, 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 that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided As Of December 31, 2019 - PERA provides retirement, disability and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement and age at retirement. Retirement eligibility is specified in tables set forth at CRS § 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 following:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

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

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

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

In all cases, the service retirement benefit is limited to 100% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in CRS, once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0% for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 1.25% unless adjusted by the automatic adjustment provision (the AAP) pursuant to CRS § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lessor of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10% of PERA's annual increase reserve (the AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to one-quarter of 1% based on the parameters specified in CRS § 24-51-413.

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Notes To Financial Statements (*Continued*)

Disability benefits are available for eligible employees once they reach 5 years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions Provisions As Of June 30, 2020 - Eligible employees of the District and the State of Colorado (the State) are required to contribute to SCHDTF at a rate set by Colorado statute. The contribution requirements are established under CRS § 24-51-401, et seq. and § 24-51-413. Eligible employees are required to contribute 8.75% of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020.

The employer contribution requirements are summarized in the table below.

| | July 1, 2019 Through June 30, 2020 |
|---|---|
| Employer contribution rate ¹ | 10.40% |
| Amount of employer contribution apportioned to HCTF as specified in CRS 24-51-208(1)(f) | -1.02% |
| Amount apportioned to SCHDTF | 9.38% |
| Amortization equalization disbursement (AED) as specified by CRS 24-51-411 | 4.50% |
| Supplemental amortization equalization disbursement (SAED) as specified in CRS 24-51-411 | 5.50% |
| Total Employer Contribution Rate To SCHDTF¹ | 19.38% |

¹ Rates are expressed as a percentage of salary as defined in CRS 24-51-101(42)

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

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Notes To Financial Statements (Continued)

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to SCHDTF. Employer contributions recognized by SCHDTF from the District were \$1,638,016 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To Pensions - The net pension liability for SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2019. The District's proportion of the net pension liability was based on the District's contributions to SCHDTF for the calendar year 2019, relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the District reported a liability of \$22,828,179 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|-----------------------------|
| The District's proportionate share of the net pension liability | \$ 22,828,179 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District | <u>2,895,465</u> |
| Total | <u>\$ 25,723,644</u> |

At December 31, 2019, the District's portion was 0.1528%, which was a decrease of 0.0034% from its portion measured as of December 31, 2018.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (Continued)

For the year ended June 30, 2020, the District recognized pension benefit of \$4,311,240 and revenue of \$209,304 for support from the State as a nonemployer contributing entity. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 1,244,149 | \$ — |
| Changes of assumptions | — | 9,702,936 |
| Net difference between projected and actual earnings on pension plan investments | — | 2,704,222 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | — | 3,505,417 |
| District's contributions subsequent to the measurement date | 877,780 | — |
| Total | \$ 2,121,929 | \$ 15,912,575 |

The amount of \$877,780 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension benefit as follows:

| Fiscal Year Ending June 30, | Total |
|--|----------------------|
| 2021 | \$ 7,998,449 |
| 2022 | 5,688,683 |
| 2023 | 61,397 |
| 2024 | 919,897 |
| Total | \$ 14,668,426 |

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Notes To Financial Statements (*Continued*)

Actuarial Assumptions - The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs:

| | |
|--|---------------------------|
| Actuarial cost method | Entry age |
| Price inflation | 2.40% |
| Real wage growth | 1.10% |
| Wage inflation | 3.50% |
| Salary increases, including wage inflation | 3.50% - 9.70% |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to January 1, 2007 and DPS benefit structure (automatic) ¹ | 1.25% compounded annually |
| PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic) ¹ | Financed by the AIR |

¹ For 2019, the annual increase was 0%.

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

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (Continued)

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting.

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

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

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

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

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019 and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified by law for each year, including the scheduled increase in SB 18-200 and the additional 0.50% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019 and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million, 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.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

- 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 fiduciary net position as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50% to 1.25% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019 and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25%. 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 one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

| | 1% Decrease | Current | 1% Increase |
|--|--------------------|----------------------|--------------------|
| | (6.25%) | Discount Rate | (8.25%) |
| | | (7.25%) | |
| Proportionate share of the net pension liability | \$ 30,275,053 | \$ 22,828,179 | \$ 16,575,880 |

Pension Plan Fiduciary Net Position - Detailed information about 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. Employee Retirement Plan - Defined Benefit OPEB Plan

Plan Description - Eligible employees of the District are provided with OPEB through HCTF, a cost-sharing multiple-employer defined OPEB plan administered by PERA. HCTF is established under Title 24, Article 51, Part 12, of CRS, as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of CRS, as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program (PERACare), 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 - 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 DPS Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between 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.

CRS § 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.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

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

PERA Benefit Structure - The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% 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, CRS § 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 HCTF or DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure - The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% 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 retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, HCTF or DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (Continued)

Contributions - Pursuant to Title 24, Article 51, Section 208(1)(f) of CRS, as amended, certain contributions are apportioned to 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 HCTF.

Employer contributions are recognized by 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 HCTF from the District were \$86,210 for the year ended June 30, 2020.

OPEB Liabilities, Pension Expense, Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To OPEB

At June 30, 2020, the District reported a liability of \$1,122,302 for its proportionate share of the net OPEB liability. The net OPEB liability for HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2019. The District's proportion of the net OPEB liability was based on the District's contributions to HCTF for the calendar year 2019 relative to the total contributions of participating employers to HCTF.

At December 31, 2019, the District's proportion was 0.0998%, which was a decrease of 0.0017% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized OPEB benefit of \$22,888. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ — | \$ 184,863 |
| Changes of assumptions | 9,311 | — |
| Net difference between projected and actual earnings on OPEB plan investments | — | 18,733 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | — | 32,644 |
| District's contributions subsequent to the measurement date | 46,197 | — |
| Total | \$ 55,508 | \$ 236,240 |

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Notes To Financial Statements (*Continued*)

The amount of \$46,197 reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension benefit as follows:

| Fiscal Year | |
|-----------------------|-------------------|
| Ended June 30, | |
| 2021 | \$ 46,375 |
| 2022 | 46,375 |
| 2023 | 40,947 |
| 2024 | 50,402 |
| 2025 | 40,415 |
| Thereafter | 2,415 |
| Total | \$ 226,929 |

Actuarial Assumptions

The total OPEB liability in December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|--|---|
| Actuarial cost method | Entry age |
| Price inflation | 2.40% |
| Real wage growth | 1.10% |
| Wage inflation | 3.50% |
| Salary increases, including wage inflation | 3.50% in the aggregate |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Health care cost trend rates: | |
| PERA benefit structure: | |
| Service-based premium subsidy | 0.00% |
| PERACare Medicare plans | 5.6% in 2019 gradually decreasing to 4.5% in 2029 |
| Medicare Part A premiums | 3.50% in 2019, gradually increasing to 4.5% in 2029 |
| DPS benefit structure: | |
| Service-based premium subsidy | 0.00% |
| PERACare Medicare plans | N/A |
| Medicare Part A premiums | N/A |

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Notes To Financial Statements (*Continued*)

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

The actuarial assumptions used in the December 31, 2018 valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop, and were adopted by the PERA Board during the November 18, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA benefit structure:

| <u>Medicare Plan</u> | Cost For Members Without Medicare Part A | Premiums For Members Without Medicare Part A |
|--|---|---|
| Medicare Advantage/Self-Insured Prescription | \$ 601 | \$ 240 |
| Kaiser Permanente Medicare Advantage HMO | 605 | 237 |

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

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

| <u>Medicare Plan</u> | <u>Medicare Part A</u> |
|--|------------------------|
| Medicare Advantage/Self-Insured Prescription | \$ 562 |
| Kaiser Permanente Medicare Advantage HMO | 571 |

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

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

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Notes To Financial Statements (*Continued*)

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

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

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

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Notes To Financial Statements (*Continued*)

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% factor applied to rates for ages 80 and above and further adjustments for credibility
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above and further adjustments for credibility

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The 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.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (Continued)

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

Several factors were considered in evaluating the long-term rate of return assumption for HCTF, including long-term historical data, estimates inherent in current market data and a log normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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.

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

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

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

Sensitivity Of The Collective Net OPEB Liability To Changes In The Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

| | 1% Decrease In Trend Rates | Current Trend Rates | 1% Increase In Trend Rates |
|---------------------------------------|---------------------------------------|--------------------------------|---------------------------------------|
| Initial PERACare Medicare trend rate | 4.60% | 5.60% | 6.60% |
| Ultimate PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A trend rate | 2.50% | 3.50% | 4.50% |
| Ultimate Medicare Part A trend rate | 3.50% | 4.50% | 5.50% |
| Net OPEB liability | \$ 1,095,642 | \$ 1,122,302 | \$ 1,153,109 |

Discount Rate

The discount rate used to measure the total OPEB 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:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019 measurement date were used.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- 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 used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

Notes To Financial Statements (*Continued*)

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

Based on the above assumptions and methods, HCTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

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 one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|--------------------------------|--|--------------------------------|
| Proportionate share of the net OPEB liability | \$ 1,268,988 | \$ 1,122,302 | \$ 996,854 |

OPEB Fiduciary Net Position

Detailed information about HCTF'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.

7. Defined Contribution Benefit Plan

Plan Description

Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program (the Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of CRS, as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive 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 CRS, as amended. There is no employer match. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2020, program members contributed \$56,990 to the Voluntary Investment Program.

8. Tax, Spending And Debt Limitation

In November 1992, Colorado voters approved TABOR, containing tax, spending and debt limitations on the state and local governments. TABOR limits increases in revenues and expenditures to the rate of inflation and local growth. In November 2001, a majority of the District's electors authorized the District to collect and spend or retain, in a reserve, all currently levied taxes and other revenue of the District without regard to any limitations under TABOR. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of this amendment. TABOR also requires local governments to establish emergency reserves to be used only for declared emergencies. The amount restricted at June 30, 2020 for this purpose was \$462,537.

9. Commitments And Contingencies

The District is occasionally involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The District believes the ultimate disposition of the actions will not have a material effect on the financial statements.

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental agencies. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

10. Risk And Uncertainty

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. The District has property and casualty insurance with the Colorado School Districts Self-Insurance Pool (the Pool), which shares risks among its members. Participation in the Pool is approved by and managed under regulations promulgated by the Colorado State Insurance Division of Regulatory Agencies. The District pays an annual premium to the Pool for its general property and liability insurance coverage. The agreement with the Pool ensures that the Pool will be self-sustaining through member premiums. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

On March 11, 2020, the World Health Organization recognized the novel strain of the coronavirus, known as COVID-19, as a global pandemic prompting containment and mitigation measures worldwide. As of the report date, the District's operations remain substantially open, subject to relevant regulations in the State and other local regulations. The District cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact its financial position, result of its operations and cash flows in future fiscal periods.

Required Supplementary Information

Major Funds

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The Colorado Preschool Project Fund is blended with the General Fund.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For The Year Ended June 30, 2020

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|---------------------|--|
| Revenues | | | | |
| Property taxes | \$ 4,233,000 | \$ 4,265,500 | \$ 4,562,833 | \$ 297,333 |
| Intergovernmental revenue: | | | | |
| Grants | 106,000 | 150,000 | 564,053 | 414,053 |
| State sources: | | | | |
| Equalization | 9,785,000 | 10,250,000 | 10,255,740 | 5,740 |
| Other state | 389,000 | 754,900 | 709,514 | (45,386) |
| Miscellaneous revenue: | | | | |
| Interest | 75,000 | 75,000 | 74,372 | (628) |
| Other | 149,000 | 164,350 | 138,433 | (25,917) |
| Total Revenues | 14,737,000 | 15,659,750 | 16,304,945 | 645,195 |
| Expenditures | | | | |
| Instruction | 8,604,032 | 8,658,298 | 8,455,501 | 202,797 |
| Supporting services: | | | | |
| Instruction | 732,350 | 785,145 | 694,724 | 90,421 |
| Students | 642,391 | 695,050 | 683,747 | 11,303 |
| General administration | 614,300 | 560,170 | 535,112 | 25,058 |
| School administration | 904,500 | 1,249,850 | 1,200,131 | 49,719 |
| Business services | 229,500 | 218,440 | 201,264 | 17,176 |
| Operations and maintenance of plant | 1,697,500 | 1,838,750 | 1,849,306 | (10,556) |
| Student transportation | 653,000 | 705,880 | 678,599 | 27,281 |
| Central services | 806,100 | 1,055,750 | 1,121,899 | (66,149) |
| Capital outlay | — | — | 6,600 | (6,600) |
| Total Expenditures | 14,883,673 | 15,767,333 | 15,426,883 | 340,450 |
| Excess (Deficiency) Of Revenues Over Expenditures | (146,673) | (107,583) | 878,062 | 985,645 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | — | — | 921,498 | 921,498 |
| Transfers out | (100,000) | (148,000) | (148,000) | — |
| Total Other Financing Sources (Uses) | (100,000) | (148,000) | 773,498 | 921,498 |
| Changes In Fund Balance | (246,673) | (255,583) | 1,651,560 | 1,907,143 |
| Fund Balance - Beginning Of Year | 4,758,000 | 4,288,219 | 4,288,219 | — |
| Fund Balance - End Of Year | \$ 4,511,327 | \$ 4,032,636 | \$ 5,939,779 | \$ 1,907,143 |

Notes to Required Supplementary Information:

The basis of budgeting is the same as GAAP.

This schedule is presented on a GAAP basis.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

For The Year Ended December 31, (Measurement Date)

Employee Pension Plan

Year Six**

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability | 0.152801277% | 0.156165067% | 0.183057484% | 0.180868633% | 0.181097114% | 0.180734064% |
| District's proportionate share of the net pension liability | \$ 22,828,179 | \$ 27,652,233 | \$ 59,194,285 | \$ 53,851,587 | \$ 27,697,525 | \$ 24,496,537 |
| State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District | 2,895,465 | 3,326,241 | — | — | — | — |
| Total | \$ 25,723,644 | \$ 30,978,474 | \$ 59,194,285 | \$ 53,851,587 | \$ 27,697,525 | \$ 24,496,537 |
| District's covered payroll | \$ 8,978,012 | \$ 8,584,204 | \$ 9,113,338 | \$ 9,089,658 | \$ 8,202,664 | \$ 7,914,626 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 254% | 322% | 650% | 592% | 338% | 309% |
| Plan fiduciary net position as a percentage of the total pension liability | 64.52% | 57.01% | 43.96% | 43.10% | 59.20% | 62.84% |

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE PENSION PLAN
For The Year Ended June 30, (Fiscal Year End Date)
Employee Pension Plan
Year Six****

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 1,638,016 | \$ 1,780,825 | \$ 1,697,838 | \$ 1,576,024 | \$ 1,470,551 | \$ 1,424,582 |
| Contributions in relation to the contractually required contribution | (1,638,016) | (1,780,825) | (1,697,838) | (1,576,024) | (1,470,551) | (1,424,582) |
| Contribution Deficiency | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| District's covered payroll | \$ 9,073,047 | \$ 8,415,685 | \$ 8,259,771 | \$ 8,238,995 | \$ 7,742,279 | \$ 7,554,567 |
| Contributions as a percentage of covered payroll | 18.05% | 21.16% | 20.56% | 19.13% | 18.99% | 18.86% |

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - HCTF**

**For The Year Ended December 31, (Measurement Date)
Year Three****

| | 2019 | 2018 | 2017 |
|--|---------------------|--------------|--------------|
| District's proportion of the net OPEB liability | 0.099849073% | 0.101495985% | 0.104012493% |
| District's proportionate share of the net OPEB liability | \$ 1,122,302 | \$ 1,380,896 | \$ 1,351,747 |
| District's covered payroll | \$ 8,978,012 | \$ 8,584,204 | \$ 9,113,338 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 12.50% | 16.09% | 14.83% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 24.49% | 17.03% | 17.53% |

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
TO THE OPEB PLAN - HCTF
For The Year Ended June 30, (Fiscal Year End Date)
Year Three****

| | <u>2020</u> | | <u>2019</u> | | <u>2018</u> |
|---|-----------------|----|-------------|----|-------------|
| Contractually required contribution | \$ 86,210 | \$ | 94,850 | \$ | 44,272 |
| Contributions in relation to the contractually required contribution | (86,210) | | (94,850) | | (44,272) |
| Contribution Deficiency | \$ — | \$ | — | \$ | — |
| District's covered payroll | \$ 9,073,047 | \$ | 8,415,685 | \$ | 8,259,771 |
| Contributions as a percentage of covered payroll | 0.95% | | 1.13% | | 0.54% |

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

1. Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

2. Expenditures/Expenses In Excess Of Appropriations

Colorado's budget law requires that expenditures and transfers for a department or fund cannot exceed the appropriations for that department or fund. Appropriations for a department or fund may be increased, provided unanticipated resources offset them.

The budget is controlled at the category line item level within each division within each fund. However, the legal level of appropriation is at the fund level. If the division expenditures exceed the division budget by more than \$500, then the expenditures are deemed to be in excess of the appropriations. For the year ended June 30, 2020, expenditures of the Debt Service Fund, Building Fund and Governmental Designated Purpose Grants Fund exceeded appropriations.

Supplementary Information

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS -
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

| | Assets | | | |
|--|---|----------------------------------|--------------------------------------|---|
| | Special Revenue Funds | | | Total Nonmajor Governmental Fund |
| | Governmental Designated- Purpose Grants Fund | Food Service Fund | Capital Projects Fund | |
| Cash, cash equivalents and investments | \$ 25,687 | \$ 46,245 | \$ 85,703 | |
| Other accounts receivable | 17,777 | 5,403 | — | 23,180 |
| Inventories | — | 10,315 | — | 10,315 |
| Total Assets | \$ 43,464 | \$ 61,963 | \$ 85,703 | \$ 191,130 |

| Liabilities And Fund Balance | | | | |
|---|------------------|------------------|------------------|-------------------|
| Liabilities | | | | |
| Accounts payable | \$ — | \$ 20,481 | \$ — | \$ 20,481 |
| Accrued salaries payable | 33,320 | 4,351 | — | 37,671 |
| Deferred revenues | 10,144 | — | — | 10,144 |
| Total Liabilities | 43,464 | 24,832 | — | 68,296 |
| Fund Balance | | | | |
| Nonspendable | — | 10,315 | — | 10,315 |
| Restricted | — | 26,816 | — | 26,816 |
| Assigned | — | — | 85,703 | 85,703 |
| Total Fund Balance | — | 37,131 | 85,703 | 122,834 |
| Total Liabilities And Fund Balance | \$ 43,464 | \$ 61,963 | \$ 85,703 | \$ 191,130 |

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2020**

| | <u>Special Revenue Funds</u> | | | Total Nonmajor Governmental Fund |
|--|---|-------------------------|-----------------------------|---|
| | Governmental Designated- Purpose Grants Fund | Food Service Fund | Capital Projects Fund | |
| Revenues | | | | |
| Intergovernmental: | | | | |
| Federal | \$ 146,527 | \$ — | \$ — | \$ 146,527 |
| State | 352,146 | — | — | 352,146 |
| Charges for services | — | 156,419 | — | 156,419 |
| Operating grants and contributions | — | 222,824 | — | 222,824 |
| Other | — | 20,223 | 10,322 | 30,545 |
| Total Revenues | 498,673 | 399,466 | 10,322 | 908,461 |
| Expenditures | | | | |
| Instruction | 171,610 | — | — | 171,610 |
| Supporting service | 327,063 | — | 37,695 | 364,758 |
| Food and milk and personnel | — | 418,907 | — | 418,907 |
| Capital outlay | — | — | 46,079 | 46,079 |
| Total Expenditures | 498,673 | 418,907 | 83,774 | 1,001,354 |
| Deficiency Of Revenues Under Expenditures | — | (19,441) | (73,452) | (92,893) |
| Other Financing Sources | | | | |
| Transfers in | — | — | 148,000 | 148,000 |
| Changes In Fund Balance | — | (19,441) | 74,548 | 55,107 |
| Fund Balance - Beginning Of Year | — | 56,572 | 11,155 | 67,727 |
| Fund Balance - End Of Year | \$ — | \$ 37,131 | \$ 85,703 | \$ 122,834 |

Major Funds

Debt Service Fund - This fund is used to account for the accumulation of resources for payment of general obligation long-term debt principal and interest. Revenues are based upon a property tax mill levy set by the School Board to redeem the District's bonded indebtedness.

Building Fund - This fund is used to account for funds to be utilized in capital projects financed by debt issuances authorized by voters in November 2012.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND****For The Year Ended June 30, 2020**

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Taxes | \$ 3,590,000 | \$ 3,640,000 | \$ 3,306,843 | \$ (333,157) |
| Interest income | — | 45,000 | 22,866 | (22,134) |
| Total Revenues | 3,590,000 | 3,685,000 | 3,329,709 | (355,291) |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal | 1,495,000 | 1,495,000 | 1,495,000 | — |
| Interest and fees | 1,757,675 | 1,759,675 | 1,758,925 | 750 |
| Total Expenditures | 3,252,675 | 3,254,675 | 3,253,925 | 750 |
| Excess Of Revenues Over Expenditures | 337,325 | 385,325 | 75,784 | (354,541) |
| Other Financing Sources (Uses) | | | | |
| Transfers out | — | — | 921,498 | 921,498 |
| Changes In Fund Balance | 337,325 | 385,325 | (845,714) | (1,276,039) |
| Fund Balance - Beginning Of Year | 3,262,000 | 3,364,640 | 3,364,640 | — |
| Fund Balance - End Of Year | \$ 3,599,325 | \$ 3,749,965 | \$ 2,518,926 | \$ (1,231,039) |

Notes to Supplementary Information:

The basis of budgeting is the same as GAAP.

This schedule is presented on a GAAP basis.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
BUILDING FUND**

For The Year Ended June 30, 2020

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---|----------------------------|---------------------------|---------------|---|
| Revenues | | | | |
| Interest | \$ 2,500 | \$ 4,000 | \$ 4,478 | \$ 478 |
| Expenditures | | | | |
| Capital outlay | 100,000 | 350,000 | 433,436 | (83,436) |
| Changes In Fund Balance | (97,500) | (346,000) | (428,958) | (82,958) |
| Fund Balance - Beginning Of Year | 490,000 | 538,215 | 538,215 | — |
| Fund Balance - End Of Year | \$ 392,500 | \$ 192,215 | \$ 109,257 | \$ (82,958) |

Notes to Supplementary Information:

The basis of budgeting is the same as GAAP.

This schedule is presented on a GAAP basis.

Nonmajor Governmental Funds

Governmental Designated Purpose Grants Fund - This fund is used to account for revenues and expenditures from federal, state and local grants.

Food Service Fund - This fund is used to account for the operations of the District's school lunch program.

Capital Projects Fund - This fund is used to account for the revenues allocated for capital expenditures, except for those projects related to the issuance of debt approved in the November 2012 election.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND
For The Year Ended June 30, 2020**

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|---------------------------|----------------|---|
| Revenues | | | | |
| Intergovernmental: | | | | |
| Federal | \$ 143,549 | \$ 153,549 | \$ 146,527 | \$ (7,022) |
| State | 112,297 | 339,081 | 352,146 | 13,065 |
| Total Revenues | 255,846 | 492,630 | 498,673 | 6,043 |
| Expenditures | | | | |
| Instruction | 255,846 | 163,788 | 171,610 | (7,822) |
| Supporting services | — | 328,842 | 327,063 | 1,779 |
| Total Expenditures | 255,846 | 492,630 | 498,673 | (6,043) |
| Net Change In Fund Balance | — | — | — | — |
| Fund Balance - Beginning Of Year | — | — | — | — |
| Fund Balance - End Of Year | \$ — | \$ — | \$ — | \$ — |

Notes to Supplementary Information:

The basis of budgeting is the same as GAAP.

This schedule is presented on a GAAP basis.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
FOOD SERVICE FUND****For The Year Ended June 30, 2020**

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---|----------------------------|---------------------------|------------------|---|
| Revenues | | | | |
| Charges for services | \$ 192,500 | \$ 205,000 | \$ 156,419 | \$ (48,581) |
| Operating grants and contributions | 200,000 | 240,000 | 222,824 | (17,176) |
| Other | 6,000 | 21,400 | 20,223 | (1,177) |
| Total Revenues | 398,500 | 466,400 | 399,466 | (66,934) |
| Expenditures | | | | |
| Food and milk and personnel | 393,000 | 476,700 | 418,907 | 57,793 |
| Deficiency Of Revenue Under Expenditures | 5,500 | (10,300) | (19,441) | (9,141) |
| Other Financing Sources | | | | |
| Transfers in | 10,000 | — | — | — |
| Changes In Fund Balance | 15,500 | (10,300) | (19,441) | (9,141) |
| Fund Balance - Beginning Of Year | 55,489 | 56,572 | 56,572 | — |
| Fund Balance - End Of Year | \$ 70,989 | \$ 46,272 | \$ 37,131 | \$ (9,141) |

Notes to Supplementary Information:

The basis of budgeting is the same as GAAP.

This schedule is presented on a GAAP basis.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND****For The Year Ended June 30, 2020**

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|----------------------------|---------------------------|---------------|---|
| Revenues | | | | |
| Other | \$ — | \$ 9,500 | \$ 10,322 | \$ 822 |
| Expenditures | | | | |
| Supporting services | — | 38,000 | 37,695 | 305 |
| Equipment | — | 46,000 | 46,079 | (79) |
| Total Expenditures | — | 84,000 | 83,774 | 226 |
| Deficiency Of Revenues Under Expenditures | — | (74,500) | (73,452) | 1,048 |
| Other Financing Sources | | | | |
| Transfers in | 90,000 | 148,000 | 148,000 | — |
| Changes In Fund Balance | 90,000 | 73,500 | 74,548 | 1,048 |
| Fund Balance - Beginning Of Year | 15,000 | 11,155 | 11,155 | — |
| Fund Balance - End Of Year | \$ 105,000 | \$ 84,655 | \$ 85,703 | \$ 1,048 |

Notes to Supplementary Information:

The basis of budgeting is the same as GAAP.

This schedule is presented on a GAAP basis.

Agency Funds

Agency Funds are used to account for activities in which the District is acting in an agent capacity.

Student Activity Fund - This fund is used to account for revenues and expenditures associated with class and co-curricular activities.

BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
STUDENT ACTIVITY FUND**

For The Year Ended June 30, 2020

| | Balance | | | Balance |
|-----------------------|----------------------|------------------|------------------|----------------------|
| | June 30, 2019 | Additions | Deletions | June 30, 2020 |
| Assets | | | | |
| Cash | \$ 319,612 | \$ 290,177 | \$ 287,261 | \$ 322,528 |
| Liabilities | | | | |
| Due to student groups | \$ 319,612 | \$ 301,581 | \$ 298,665 | \$ 322,528 |



Colorado Department of Education

Auditors Integrity Report

District: 1530 - Bayfield 10 Jt-R

Fiscal Year 2019-20

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

| Fund Type & Number | Beg Fund Balance & Prior Per Adj (6880*) | 1000 - 5999 Total Revenues & Other Sources | 0001-0999 Total Expenditures & Other Uses | 6700-6799 & Prior Per Adj (6880*) Ending Fund Balance |
|---|--|--|---|---|
| Governmental | + | | - | = |
| 10 General Fund | 4,242,088 | 16,630,377 | 14,992,852 | 5,879,613 |
| 18 Risk Mgmt Sub-Fund of General Fund | 88,091 | 197,000 | 236,098 | 48,993 |
| 19 Colorado Preschool Program Fund | -41,960 | 251,068 | 197,937 | 11,171 |
| Sub- Total | 4,288,219 | 17,078,445 | 15,426,887 | 5,939,777 |
| 11 Charter School Fund | 0 | 0 | 0 | 0 |
| 20,26-29 Special Revenue Fund | 0 | 0 | 0 | 0 |
| 06 Supplemental Cap Const, Tech, Main. Fund | 0 | 0 | 0 | 0 |
| 07 Total Program Reserve Fund | 0 | 0 | 0 | 0 |
| 21 Food Service Spec Revenue Fund | 56,571 | 399,466 | 418,906 | 37,131 |
| 22 Govt Designated-Purpose Grants Fund | 0 | 498,672 | 498,672 | 0 |
| 23 Pupil Activity Special Revenue Fund | 0 | 0 | 0 | 0 |
| 24 Full Day Kindergarten Mill Levy Override | 0 | 0 | 0 | 0 |
| 25 Transportation Fund | 0 | 0 | 0 | 0 |
| 31 Bond Redemption Fund | 3,364,640 | 2,408,211 | 3,253,925 | 2,518,926 |
| 39 Certificate of Participation (COP) Debt Service Fund | 0 | 0 | 0 | 0 |
| 41 Building Fund | 538,214 | 4,478 | 433,435 | 109,257 |
| 42 Special Building Fund | 0 | 0 | 0 | 0 |
| 43 Capital Reserve Capital Projects Fund | 11,155 | 158,322 | 83,774 | 85,703 |
| 46 Supplemental Cap Const, Tech, Main Fund | 0 | 0 | 0 | 0 |
| Totals | 8,258,799 | 20,547,594 | 20,115,599 | 8,690,794 |
| Proprietary | | | | |
| 50 Other Enterprise Funds | 0 | 0 | 0 | 0 |
| 64 (63) Risk-Related Activity Fund | 0 | 0 | 0 | 0 |
| 60,65-69 Other Internal Service Funds | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |
| Fiduciary | | | | |
| 70 Other Trust and Agency Funds | 0 | 0 | 0 | 0 |
| 72 Private Purpose Trust Fund | 0 | 0 | 0 | 0 |
| 73 Agency Fund | 0 | 0 | 0 | 0 |
| 74 Pupil Activity Agency Fund | 319,612 | 301,581 | 298,665 | 322,527 |
| 79 GASB 34:Permanent Fund | 0 | 0 | 0 | 0 |
| 85 Foundations | 0 | 0 | 0 | 0 |
| Totals | 319,612 | 301,581 | 298,665 | 322,527 |

FINAL

*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.

**Independent Auditors' Report
On Internal Control Over Financial
Reporting And On Compliance And Other
Matters Based On An Audit Of Financial
Statements Performed In Accordance With
*Government Auditing Standards***

Board of Education
Bayfield School District 10-JtR
Bayfield, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bayfield School District 10-JtR (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified.

Compliance And Other Matters

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

Purpose Of This Report

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

RubinBrown LLP

December 15, 2020