

**DURANGO SCHOOL DISTRICT 9-R
DURANGO, COLORADO**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2020

Prepared by the Finance Department

*Samantha Gallagher, CPA, Chief Financial Officer
Kira Horenn, Lead Accountant*



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

DURANGO SCHOOL DISTRICT 9-R

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January 25, 2021

Board of Education and Citizens
Durango School District 9-R
201 E. 12th Street
Durango, CO 81301

To the Board of Education, Citizens, Employees and Students of Durango School District 9-R:

Introduction

The Comprehensive Annual Financial Report of the Durango School District 9-R (the District) is submitted in compliance with the 29-1-603 of the Colorado Revised Statutes and the applicable by-laws of the District's Board of Education. This Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020 was prepared by the Financial Services Department and includes the report of the independent auditors Wall, Smith, Bateman Inc. The responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, remains with the District. Accordingly, the District has established and continues to refine a comprehensive framework of controls to protect the District's assets and to compile sufficiently reliable information for the preparation of the District's financial statements in conformity with generally accepted accounting principles (GAAP). The cost of controls should not outweigh their benefit; accordingly, the District's financial framework has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, to the best of our knowledge and belief, we assert that the data presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the District as measured by the financial activity of its various funds. The District received an unmodified opinion of the financial statements for the year ended June 30, 2020 as the independent auditors concluded that there was reasonable assurance the financial statements are free of material misstatement. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A.

This CAFR is presented in five sections: introductory, financial, statistical, single audit and Colorado Department of Education Compliance.

- The introductory section contains this letter of introduction that includes the District leadership structure and organizational chart.
- The financial section includes the independent auditor’s report, Management’s Discussion and Analysis, basic financial statements, required supplementary information, and supplementary information.
- The statistical section contains supplemental financial and other statistical information that is generally presented on a multi-year basis.
- The single audit section reports not only on the fair presentation of the financial statements but also on legal compliance and internal control.
- The Colorado Department of Education Compliance section address specific state requirements and expectations for our district.

PROFILE OF THE DISTRICT

The District’s financial operations support Durango School District 9-R’s mission. Durango School District 9-R serves more than 5,000 students in twelve schools in La Plata County.

The District is a fiscally and politically independent subdivision operating under the applicable laws of the State of Colorado governed by a five-member Board of Education (the “Board”). The Board is empowered to establish annual operating and capital budgets; determine the K-12 educational programs and services to be carried on in the schools of the District; employ all personnel necessary to maintain District operations; determine staffing levels and compensation thereof; and to prescribe the curriculum of any course of instruction or study through the District’s educational programs and services. The District receives funding from local, state and federal government sources and must comply with the requirements of such funding sources.

In defining and determining the District as an appropriate reporting entity, the District has considered the scope of public services of various associations and entities. Using the above considerations the District’s charter school, The Juniper School is included as a discretely presented component unit.

ECONOMIC CONDITIONS AND OUTLOOK

The current model of state funding creates one of the largest obstacles for the District to provide the financial resources necessary for educators to achieve the District’s academic goals. In November 2000, Colorado voters approved a constitutional amendment (commonly known as “Amendment 23”) that sets minimum levels of increase in the statewide base per pupil funding amount and the total state funding for categorical programs. Amendment 23 stipulates that the General Assembly must adjust that base each year by the rate of inflation increase plus one-percent for the ten year period beginning FY 2001-02, and by at least the rate of inflation thereafter.

Colorado has a very complex public school funding formula that was developed in 1994 called the Public School Finance Act. School districts in Colorado are funded on a per pupil basis. The state calculates each district’s PPR based on a number of factors including at-risk enrollment (i.e. high poverty), size of the district, cost of personnel, and cost of living. From a very high level, the state calculates each district’s PPR, subtracts the amount of funding generated by local property taxes, and then funds the remaining balance through an allocation called “State Equalization”. This combined state equalization and local property tax funding amount is termed “Total Program”.

Local property tax revenue makes up 36% of public school funding in the state. Beginning with the recession in 2008, assessed valuations across the state declined as a result of lower property tax collections while tax receipts from state income and sales/use also declined due to the economic downturn. The state is strained since it is responsible to backfill any funding losses from declines in local property taxes (i.e. "State Equalization"). Given that K-12 funding makes up close to 40% of the State of Colorado's budget, the state was forced to make a choice between fully funding K-12 education or continuing to fund other vital public services such as Corrections, Healthcare/Medicaid, Higher Education, and Human Services. Beginning in FY2010-11, the state introduced the "Negative Factor" to reduce school funding to a level that it could afford. For FY2020-21, the Negative Factor reduces annual funding for K-12 education by \$1.17 billion below fully funded or \$9.4 million for Durango School District 9-R.

State statute allows school districts to levy general fund taxes at a general or special Override Election Mill Levy. The maximum amount of the revenue increase may not exceed 25% of the District's formula funding, plus a cost of living adjustment from 2002. In 2010 and 2016 the voters of Durango approved mill levy overrides. The 2010 mill levy override was a fixed dollar amount of \$3.2 million. The 2016 Override Election mill levy has a variable mill amount, which can be adjusted annually as long as the total revenue amount for all mills does not exceed the maximum collection amount of 25% of revenue plus cost of living adjustment.

The District has been able to limit the impact of these complications on our classrooms by effectively managing costs. As a result of uncertain economic conditions, Per Pupil Revenue (PPR) in FY2020-21 is expected to stay level or decrease slightly. Durango School District 9-R manages the funding gaps and improves the educational offerings for our students through prudent fiscal management, the support of local voters through mill levy overrides and state, federal and private grants received. The District continues to manage fund balances to ensure that future uncertainties can be addressed without major interruptions to core educational services.

FINANCIAL INFORMATION

Internal Control

The management team of the District is responsible for establishing and maintaining effective internal control to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The District's system of internal control is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived from its implementation; and, (2) the valuation of costs and benefits require estimates and judgement by management.

Single Audit

As a recipient of federal, state and local financial assistance, the District is also responsible for maintaining effective internal control to ensure compliance with applicable laws and regulations related to those programs. This system of internal control is subject to periodic evaluation by management.

As part of the District's single audit, tests are made to determine the adequacy of its internal control, including that portion related to federal financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

Accounting and Budgetary Controls

The District maintains its records on the full accrual basis for proprietary funds and on the modified accrual basis for all other funds. For financial statement presentation purposes, the modified accrual basis of accounting is followed for all governmental funds and similar fiduciary fund types. The management's discussion and analysis and the notes to the financial statements expand upon this and other accounting policies. The financial statements are prepared in accordance with the standards of the Governmental Accounting Standards Board. All of the District's funds are presented in this report and have been audited by the District's independent auditors, Wall Smith & Bateman Inc. The Local Government Audit Law requires Colorado local governments to have an annual audit of their financial statements. The law states that the audit must be performed by an independent Certified Public Accountant and be in accordance with generally accepted auditing standards. The auditor's role is to conduct an independent audit and render to outside parties an opinion on the fair presentation of the financial statements. Budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is maintained at the total fund level for each fund.

2019-2020 Leadership Structure (as of June 30, 2020)

Each of Colorado's 178 school districts is governed by a Board of Education comprised of people elected by the residents of the district. It is the Board's responsibility to establish and maintain a system of education in the district, as prescribed by the constitution and laws of the state. School board members are community volunteers who give freely of their time to govern public schools. Durango School District 9-R is governed by a five-member board.

The Durango 9-R School Board chose to use Coherent Governance as its governance model approximately ten years ago. This model helps to clarify the roles of both the school board (policy making and oversight) and the superintendent (academic and management leader).

Under Coherent Governance, the Board is responsible for clearly defining what students should know and be able to do by the time they graduate from high school. The Board consciously stays out of the district's day-to-day management decisions and adopts policies that give the superintendent the authority to select the resources, teachers, and educational programs that he or she believes best serve student-learning needs. The Board takes a strong oversight role by holding the superintendent accountable for ensuring that students are making reasonable progress toward meeting the district's educational goals.

Board of Education

Shere Byrd	President
Mick Souder	Vice President
Andrea Parmenter	Secretary
Kristin Smith	Treasurer
Erika Brown	Board Member

Administration

Dan Snowberger	Superintendent
Andy Burns	Deputy Superintendent
Laura Galido	Director of Human Resources
Samantha Gallagher	Chief Financial Officer
Dylan Connell	Director of Instruction
Vanessa Giddings	Director of Student Services

Conformance with State Accounting Regulations

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles.

District Expectation for Financial Transparency

It is very important to Durango School District 9-R that we use our resources in the most efficient manner to meet the goals of the community. It is also a core value of the Finance Department that we are transparent and have appropriate controls in place to make sure we create accurate and timely financial statements and maintain effective and efficient administrative controls.

Acknowledgements

This report could not have been possible without the dedicated services of the District's Finance Department. We would like to express our sincere gratitude to all members of the District who assisted and contributed to the preparation of this report as well as to dedicated and professional services from the independent auditors from Wall, Smith & Bateman.

We would also like to express our appreciation to the Durango School District 9-R Board of Education for their continued support in leading the District's finances in a responsible and prudent manner.

Respectfully submitted,



Daniel J. Snowberger
Superintendent of Schools



Samantha Gallagher, CPA
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Education
Durango School District 9-R
Durango, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Durango School District 9-R (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 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. The discretely presented component unit was not audited in accordance with *Government Auditing Standards*.

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.

Certified Public Accountants

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Opinions

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

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, pension and other postemployment benefits information, as listed on table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial schedules, statistical section, and the Colorado School District Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial schedules, the schedule of expenditures of federal awards, and the Colorado School District Auditor's Integrity Report 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 schedules, the schedule of expenditures of federal awards, and the Colorado School District Auditor's Integrity Report are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

February 1, 2021

Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020

This discussion and analysis of Durango School District 9-R'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 resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$(52,252,200) (net position). The District's unrestricted net position without the pension & OPEB liability and related deferred inflows/outflows would be \$8,895,437.
- The District's total net position increased by \$21,350,444. The significant change is the result of pension reporting requirements from the Governmental Accounting Standards Board (GASB). A deficit pension expense of \$11,949,253 has been recognized as the District's proportionate share of the net pension liability changes reported by the Colorado Public Employees' Retirement Association (PERA) – School Division Trust Fund and Other Post-Employment Benefits by the Colorado Public Employees' Retirement Association (PERA) - Health Care Trust Fund.
- Total General Fund revenues increased \$3,897,743 of which property tax revenues increased \$798,843 or 3.4% and state equalization aid increased \$3,833,980 or 12.3%. This increase in state equalization is being driven by an increase in students at Colorado Connections Academy.
- At the close of the current fiscal year, the District's governmental funds reported combined fund balance of \$25,190,627 an increase of \$5,479,306 in comparison with the prior year. Of the combined fund balance, approximately 15.93% or \$4,013,331 is available for spending at the District's discretion (unassigned fund balance).
- At the end of the current fiscal year, the total of all components of fund balance for the general fund was \$10,869,831 or approximately 19.0% of total general fund expenditures.
- The District's total outstanding long-term debt decreased by \$5,802,739 to \$29,355,763 during the current fiscal year as the District continues to pay down its debt.
- The District increased Instructional Service expenses by \$844,844 or 2.2% and Support Service expenditures decreased by \$171,959 or .61%

**Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020**

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 Durango School District 9-R 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 includes required and other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-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 financial information on all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities), and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include the General Fund, Capital Projects Fund, Governmental Designated Grants Fund, Interscholastic Activities Fund, Food Service Fund, Student Activities Fund, Debt Service Fund and After School Enrichment Program 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 activities and objectives. The District only reports governmental funds.

Durango School District 9-R
Management’s Discussion and Analysis
For the fiscal year ended June 30, 2020

Governmental Funds. Governmental funds are used to account for essentially the same functions reported in the governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the District’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains eight individual governmental funds. The major funds are the General Fund, Debt Service Fund and Governmental Designated Grants Fund. They are presented separately in the fund financial statements with the remaining governmental funds combined into a single aggregated presentation labeled “other governmental funds”. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the district-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District. The District adopts an annual appropriation budget for all its funds. Budgetary comparison schedules, with adopted and final revised budgets, have been provided for the General Fund and all other funds to demonstrate compliance with the budgeted amounts.

Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020

District-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. The District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$52,252,200 at the close of the most recent fiscal year.

The District's investment in capital assets (e.g., land, buildings, machinery, equipment, and vehicles), less any related outstanding debt that was used to acquire those assets represents approximately \$55.8 million. The District uses these capital assets to provide educational services to its citizens. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$15.3 million of the District's net position represents resources that are subject to external restrictions, such as debt service, future building at Three Springs and the TABOR reserve.

In addition, pension and OPEB plan contributions and the District's proportionate share of the net pension and OPEB liabilities are required to supplement the basic financial statements.

Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020

Durango School District 9-R
Condensed Statement of Net Position

	Governmental Activities		Total	
	2020	2019	2020	2019
<u>Assets</u>				
Current and Other Assets	38,310,030	29,565,289	38,310,030	29,565,289
Net Capital Assets	83,596,773	85,820,745	83,596,773	85,820,745
Total Assets	<u>121,906,803</u>	<u>115,386,034</u>	<u>121,906,803</u>	<u>115,386,034</u>
<u>Deferred Outflows of Resources</u>				
Pensions (Note 10)	10,576,907	33,111,892	10,576,907	33,111,892
OPEB (Note 11)	524,397	644,620	524,397	644,620
Total Def. Outflows	<u>11,101,304</u>	<u>33,756,512</u>	<u>11,101,304</u>	<u>33,756,512</u>
<u>Liabilities</u>				
Current and Other Liabilities	12,480,996	10,868,435	12,480,996	10,868,435
Long-Term	116,630,605	141,119,450	116,630,605	141,119,450
Total Liabilities	<u>129,111,601</u>	<u>151,987,885</u>	<u>129,111,601</u>	<u>151,987,885</u>
<u>Deferred Inflows of Resources</u>				
Pensions (Note 10)	55,253,698	70,749,512	55,253,698	70,749,512
OPEB (Note 11)	895,007	7,793	895,007	7,793
Total Def. Inflows	<u>56,148,705</u>	<u>70,757,305</u>	<u>56,148,705</u>	<u>70,757,305</u>
<u>Net Position</u>				
Net Investment in Capital Assets	55,870,286	50,402,863	55,870,286	50,402,863
Restricted	15,304,321	13,015,073	15,304,321	13,015,073
Unrestricted (Deficit)	(123,426,807)	(137,020,580)	(123,426,807)	(137,020,580)
Total Net Position	<u>(52,252,200)</u>	<u>(73,602,644)</u>	<u>(52,252,200)</u>	<u>(73,602,644)</u>

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The dependence upon tax revenue is apparent. Over 99% of general revenue is supported through property taxes, vehicle registrations, and state equalization. The District's combined net position, not including the Pension Liability or OPEB Liability of \$80,070,044 was larger on June 30, 2020 than it was the year before. The combined net position, including the Pension and OPEB Liability, increased from the prior year to (\$52,252,200). Most of the underlying increase in the District's financial position, excluding the accounting change for the pension and OPEB liability, came from its

**Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020**

continued pay down of long term debt. The Pension and OPEB Liability amounts tend to obscure the District position in a given year.

The effect of the PERA pension and OPEB expense of the District's total net position for the Fiscal Year 2020 and 2019 is summarized below:

	Fiscal Year 2020	Fiscal Year 2019
Net Position (GAAP Basis)	\$ (52,252,199)	\$ (73,602,645)
GASB 68 - Pension	127,861,446	140,143,088
GASB 75 - OPEB	<u>4,460,797</u>	<u>4,482,548</u>
Net Position Excluding Pension and OPEB	<u>\$ 80,070,044</u>	<u>\$ 71,022,991</u>

The effect of the PERA pension and OPEB expense of the District's unrestricted net position for the Fiscal Year 2020 and 2019 is summarized below:

	Fiscal Year 2020	Fiscal Year 2019
Unrestricted Net Position (GAAP Basis)	\$ (123,426,806)	\$ (138,944,155)
GASB 68 - Pension	127,861,446	140,143,088
GASB 75 - OPEB	<u>4,460,797</u>	<u>4,482,548</u>
Unrestricted Net Position Excluding Pension and OPEB	<u>\$ 8,895,437</u>	<u>\$ 5,681,481</u>

Management's estimate of the District's proportionate share of the State On-Behalf Direct Distribution is \$521,919 which is recognized as a contribution and allocation of expenditures in the General Fund.

Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020

Durango School District 9-R
Condensed Statement of Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
<u>Program Revenues</u>						
Charges for Services	995,417	1,271,053	-	-	995,417	1,271,053
Operating Grants and Contributions	8,869,430	9,222,859	-	-	8,869,430	9,222,859
Capital Grants and Contributions	622,671	825,709	-	-	622,671	825,709
<u>General Revenues</u>						
Taxes	32,537,813	31,272,842	-	-	32,537,813	31,272,842
State Equalization	34,952,471	31,118,491	-	-	34,952,471	31,118,491
Investment Earnings	343,091	450,653	-	-	343,091	450,653
Miscellaneous	-	-	-	-	-	-
Total Revenues	78,320,893	74,161,607	-	-	78,320,893	74,161,607
Expenses						
<u>Governmental Activities</u>						
Instructional Services	32,897,539	35,556,077	-	-	32,897,539	35,556,077
Pupil Support Services	6,690,178	7,628,000	-	-	6,690,178	7,628,000
Administration	4,098,573	3,643,225	-	-	4,098,573	3,643,225
Business Services	584,918	853,828	-	-	584,918	853,828
Operations and Maintenance	5,445,609	5,916,484	-	-	5,445,609	5,916,484
Transportation	1,295,264	1,712,849	-	-	1,295,264	1,712,849
Central Supporting Services	2,736,312	2,644,356	-	-	2,736,312	2,644,356
Food Service	1,469,169	1,664,667	-	-	1,469,169	1,664,667
Other Supporting Services	1,072,123	1,427,361	-	-	1,072,123	1,427,361
Interest and Fiscal Charges	680,767	909,612	-	-	680,767	909,612
Total Expenses	56,970,452	61,956,459	-	-	56,970,452	61,956,459
Net Revenue/(Expenses) before Transfers	21,350,441	12,205,148	-	-	21,350,441	12,205,148
Transfers	-	-	-	-	-	-
Change in Net Position	21,350,441	12,205,148	-	-	21,350,441	12,205,148
Net Position, Beginning of Year	(73,602,645)	(86,152,599)	-	4,745	(73,602,645)	(86,147,854)
GASB 75 Restatement			-	-	-	-
Change in Accounting Principle		344,806	-	(4,745)	-	340,061
Net Position, Beginning of Year Restated	(73,602,645)	(85,807,793)	-	-	(73,602,645)	(85,807,793)
Net Position, End of Year	(52,252,204)	(73,602,645)	-	-	(52,252,204)	(73,602,645)

**Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020**

Financial Analysis of Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources to be used for particular purposes by the Board of Education.

At June 30, 2020, the District's governmental funds reported combined fund balances of \$25,190,632 an increase of \$5,479,311 in comparison with the prior year. Approximately \$4,013,331 or 15.9% of the combined fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form \$77,452 2) restricted for particular purposes \$15,304,321 3) committed for particular purposes \$5,247,880 or 4) assigned for particular purposes \$547,648.

The General Fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,013,331 while total fund balance increased to \$10,869,831. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 7.0% of total General Fund expenditures, while total fund balance represents approximately 19.04% of the same amount.

General Fund Budgeting Highlights

The District's budget is prepared according to Colorado State law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. Budget Resolutions are approved by the Board of Education in January and when needed. In reviewing budget to actual variance, the following criteria have been set to determine variances that are significant: line item variance amounts (amended budget to actual) that are greater than 10% of the corresponding budget for that line item and greater than .1% of total budgeted fund revenue or expense amount.

A review of total actual revenues compared to the appropriations in the final budget yield variances totaling \$501,289 or .8% of total revenues. This variance is driven by schools closing to in person learning mid-March through the remainder of the school year, which reduced facility rentals and preschool tuition collections.

**Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2020**

A review of total actual expenditures compared to the appropriations in the final budget yield variances totaling \$3,455,880 under budget or 5.7% of total expenditures. This underspend is due to schools closing to in person learning mid-March through the end of the school year, with a spending freeze. There were no professional development opportunities offered or substitutes employed during that period of time and vacancies were held open as the District worked through remote learning.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounts to \$83,596,772 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles, and projects in progress. The total change in the District's investment in capital assets for the current fiscal year was a decrease of \$2,223,972.

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Long-term Debt

At June 30, 2020, the District had \$23,565,000 in general obligation bonds and \$2,695,741 in capital leases outstanding. In August 2012, the District entered into an energy conservation project funded through a long-term capital lease. The DHS stadium project was funded by a capital lease in June 2016. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

An increase in per pupil funding by at least inflation is provided by Amendment 23 to the State Constitution, passed by the voters in November 2000. During the 2010 legislative session, the state legislator introduced a new factor into the school financial funding formula. This new factor is a negative factor, which allows the state to reduce its funding to K-12 education in the state. This factor reduced the funding the District would have received from the state under the old formula by \$7.6 million the 2020-2021 school year. The budget stabilization factor continues to have an adverse impact on the district's budget; state funding has not been restored to the level that would have occurred if the state could fully fund the school finance formula. If sufficient revenue were available in Colorado's General Fund, the district would receive \$9,212 per pupil, compared to the projected amount of \$7,918.

**Durango School District 9-R
Management’s Discussion and Analysis
For the fiscal year ended June 30, 2020**

Additionally, COVID-19 pandemic and resulting disruptions have caused significant economic uncertainty and volatility in financial markets, U.S. economy and local economy. It is expected that the disruptions will create significant shortfall for school funding for the next several years.

Enrollment for Durango School District 9-R will continue to evolve in 2020-2021. The online charter school called Connections Academy whose partnership began with the District in 2016-17 increased substantially with remote learning occurring across the state at around 2100 students. These are students who reside all over the state, and very few come from the district’s boundaries. Durango School District 9-R collects the PPR for this program and passes on 95% with the remaining 5% used to support administration of the this partnership. In 2020-2021, The Juniper School, which is chartered through Durango School District 9-R has a stable enrollment of 137 students enrolled, and the district passes all but 3% of the students PPR directly to their organization.

The 2020-2021 General Fund budget includes \$54,322,378 in revenue, less transfers, and \$55,072,378 in expenditures. This creates a budgeted use of Fund Balance of \$750,000.

Component Units

The District has one component unit, a district authorized charter school, named The Juniper School. Separately issued financial statements can be obtained by visiting their website <http://juniper.durangoschools.org/>

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:

Samantha Gallagher, CPA
Chief Financial Officer
Durango School District 9-R
201 East 12th Street
Durango, Colorado 81301

DURANGO SCHOOL DISTRICT 9-R

BASIC FINANCIAL STATEMENTS

DURANGO SCHOOL DISTRICT 9-R
STATEMENT OF NET POSITION
June 30, 2020

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Component Unit</u>	
ASSETS			
Cash and Cash Equivalents	\$ 35,181,938	\$ 518,916	\$ 35,700,854
Accounts Receivable	1,023,462	-	1,023,462
Property Taxes Receivable	2,016,164	-	2,016,164
Prepaid Expenses	11,015	290,181	301,196
Materials and Supplies Inventory	77,452	-	77,452
Capital Assets			-
Nondepreciable	6,721,656	2,003,900	8,725,556
Depreciable, Net	76,875,117	1,124,096	77,999,213
Total Assets	<u>121,906,804</u>	<u>3,937,093</u>	<u>125,843,897</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	10,576,907	401,588	10,978,495
OPEB	524,397	22,334	546,731
Total Deferred Outflows of Resources	<u>11,101,304</u>	<u>423,922</u>	<u>11,525,226</u>
LIABILITIES			
Accounts Payable	895,477	668,846	1,564,323
Accrued Salaries and Benefits	7,549,701	60,346	7,610,047
Unearned Grant Revenue	3,848,348	-	3,848,348
Accrued Interest Payable	187,470	-	187,470
Long-Term Liabilities			
Due Within One Year	5,067,655	-	5,067,655
Due In More Than One Year	24,288,108	2,801,681	27,089,789
Net Pension Liability	83,184,655	1,491,368	84,676,023
Net OPEB Liability	4,090,187	73,346	4,163,533
Total Liabilities	<u>129,111,601</u>	<u>5,095,587</u>	<u>134,207,188</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	55,253,698	953,770	56,207,468
OPEB	895,007	17,465	912,472
Total Deferred Inflows of Resources	<u>56,148,705</u>	<u>971,235</u>	<u>57,119,940</u>
NET POSITION			
Net Investment in Capital Assets	55,870,286	257,168	56,127,454
Restricted for			
TABOR	1,980,588	42,000	2,022,588
Debt Service	12,781,070	-	12,781,070
Three Springs Schools	542,663	-	542,663
Unrestricted	(123,426,806)	(2,004,975)	(125,431,781)
Total Net Position	<u>\$ (52,252,199)</u>	<u>\$ (1,705,807)</u>	<u>\$ (53,958,006)</u>

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

DURANGO SCHOOL DISTRICT 9-R
STATEMENT OF ACTIVITIES
For the Fiscal 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	Capital Grants and Contributions	Governmental Activities	Total	Component Unit
Primary Government:							
Governmental Activities							
Instructional Services	\$ 32,897,539	\$ 294,763	\$ 5,676,264	\$ -	\$ (26,926,512)	\$ (26,926,512)	\$ (614,925)
Pupil Support Services	6,690,178	191,854	1,209,599	-	(5,288,725)	(5,288,725)	(7,942)
Administration	4,098,573	-	-	-	(4,098,573)	(4,098,573)	(225,807)
Business Services	584,918	-	-	-	(584,918)	(584,918)	(70,055)
Operations and Maintenance	5,445,609	-	219,255	622,671	(4,603,683)	(4,603,683)	(34,064)
Transportation	1,295,263	-	432,180	-	(863,083)	(863,083)	-
Central Supporting Services	2,736,312	-	-	-	(2,736,312)	(2,736,312)	(246,732)
Food Services	1,469,168	508,800	1,021,650	-	61,282	61,282	-
Other Supporting Services	1,072,123	-	310,482	-	(761,641)	(761,641)	-
Interest and Fiscal Charges	680,767	-	-	-	(680,767)	(680,767)	-
Total Governmental Activities	56,970,450	995,417	8,869,430	622,671	(46,482,932)	(46,482,932)	(1,199,525)
Total Primary Government	\$ 56,970,450	\$ 995,417	\$ 8,869,430	\$ 622,671	\$ (46,482,932)	\$ (46,482,932)	\$ (1,199,525)
Component Unit							
The Juniper School	\$ 1,265,353	\$ -	\$ 46,727	\$ 19,101	\$ -	\$ -	\$ (1,199,525)
Total Component Unit							
General Revenues							
Property Taxes					29,567,543	29,567,543	219,320
Specific Ownership Taxes					2,970,270	2,970,270	-
State Equalization					34,952,471	34,952,471	1,159,672
Investment Earnings					343,091	343,091	-
Miscellaneous					-	-	99
Total General Revenues					67,833,375	67,833,375	1,379,091
Transfers					-	-	-
Total General Revenues and Transfers					67,833,375	67,833,375	1,379,091
CHANGE IN NET POSITION					21,350,443	21,350,443	179,566
NET POSITION, Beginning of Year					(73,602,645)	(73,602,645)	(1,885,373)
NET POSITION, End of Year					\$ (52,252,202)	\$ (52,252,202)	\$ (1,705,807)

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

DURANGO SCHOOL DISTRICT 9-R
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Debt Service Fund	Governmental Designated Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Investments	\$ 17,279,899	\$ 12,455,226	\$ 3,505,247	\$ 1,941,566	\$ 35,181,938
Receivables					
Accounts	29,586	-	981,458	12,418	1,023,462
Property Taxes	1,464,631	551,533	-	-	2,016,164
Prepaid Expenses	-	-	-	11,015	11,015
Materials and Supplies Inventory	50,032	-	-	27,420	77,452
	<u>50,032</u>	<u>-</u>	<u>-</u>	<u>27,420</u>	<u>77,452</u>
Total Asset:	<u>\$ 18,824,148</u>	<u>\$ 13,006,760</u>	<u>\$ 4,486,705</u>	<u>\$ 1,992,419</u>	<u>\$ 38,310,031</u>
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 599,132	\$ -	\$ 81,454	\$ 214,890	\$ 895,477
Accrued Salaries and Benefits	6,755,003	-	556,902	237,796	7,549,701
Unearned Grant Revenues	-	-	3,848,348	-	3,848,348
Total Liabilities	<u>7,354,135</u>	<u>-</u>	<u>4,486,705</u>	<u>452,686</u>	<u>12,293,526</u>
Deferred Inflows of Resources					
Unavailable Revenue - Property Tax	600,182	225,689	-	-	825,872
Fund Balances					
Nonspendable					
Inventory	50,032	-	-	27,420	77,452
Prepaid Expenses	-	-	-	90	90
Restricted for					
TABOR 3% Reserve	1,980,588	-	-	-	1,980,588
Debt Service	-	12,781,070	-	-	12,781,070
Three Springs Schools	-	-	-	542,663	542,663
Committed for					
Board Designated Reserve	4,278,232	-	-	-	4,278,232
Food Service	-	-	-	305,467	305,467
Activities	-	-	-	338,576	338,576
Capital Projects	-	-	-	325,515	325,515
Assigned for					
Instructional	358,737	-	-	-	358,737
Support Services	114,916	-	-	-	114,916
Transportation	8,059	-	-	-	8,059
Technology	65,936	-	-	-	65,936
Unassigned	4,013,331	-	-	-	4,013,331
Total Fund Balances	<u>10,869,831</u>	<u>12,781,070</u>	<u>-</u>	<u>1,539,732</u>	<u>25,190,632</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 18,824,148</u>	<u>\$ 13,006,760</u>	<u>\$ 4,486,705</u>	<u>\$ 1,992,419</u>	<u>\$ 38,310,031</u>

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

DURANGO SCHOOL DISTRICT 9-R
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total Governmental Fund Balances		\$ 25,190,632
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		83,596,773
Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds, but must be deferred in the statement of net position.		11,101,304
Unavailable revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		825,872
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	\$ (23,565,000)	
Capital Lease Agreements	(2,695,741)	
Accrued Interest Payable	(187,470)	
Compensated Absences	<u>(1,629,276)</u>	
		(28,077,487)
Bond discounts are expensed when incurred in the governmental funds and deferred and amortized in the statement of activities. Similarly, bond premiums are recognized as revenue when issued and are deferred and amortized in the statement of activities. The net unamortized portion of these long-term debt related items is included in the governmental activities.		(1,465,746)
Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds.		(87,274,842)
Certain amounts related to the net pension and OPEB liabilities are deferred and amortized over time. These are not reported in the funds.		<u>(56,148,705)</u>
Net Position of Governmental Activities		<u><u>\$ (52,252,199)</u></u>

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

DURANGO SCHOOL DISTRICT 9-R
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended
June 30, 2020

	General Fund	Debt Service Fund	Governmental Designated Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 24,284,766	\$ 8,019,057	\$ -	\$ -	\$ 32,303,823
Intergovernmental					
Federal Sources	119,013	-	2,132,925	996,268	3,248,206
State Sources	37,337,245	-	2,430,320	25,380	39,792,945
Intermediate Sources	-	-	-	212,201	212,201
Local Sources	641,562	-	287,581	1,257,494	2,186,637
Interest on Investments	205,191	137,900	-	-	343,091
Total Revenues	<u>62,587,777</u>	<u>8,156,957</u>	<u>4,850,826</u>	<u>2,491,343</u>	<u>78,086,903</u>
EXPENDITURES					
Current Operating					
Instructional Services	36,151,315	-	1,896,562	1,107,977	39,155,854
Supporting Services					
Pupil Support Services	5,129,420	-	2,158,064	359,159	7,646,643
Administration	4,591,704	-	112,076	-	4,703,780
Business Services	668,503	-	38	-	668,541
Operations and Maintenance	5,429,002	-	653,203	682,210	6,764,415
Transportation	1,659,070	-	2,962	139,626	1,801,658
Central Supporting Services	2,696,247	1,050	19,799	-	2,717,096
Food Services	-	-	-	1,720,636	1,720,636
Other Supporting Services	416,355	-	8,122	251,489	675,966
Community Services	30,535	-	-	-	30,535
Facilities Acquisition and Construction	-	-	-	518,898	518,898
Debt Service	295,498	5,975,831	-	212,074	6,483,403
Total Expenditures	<u>57,067,649</u>	<u>5,976,881</u>	<u>4,850,826</u>	<u>4,992,069</u>	<u>72,887,426</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,520,128</u>	<u>2,180,076</u>	<u>(0)</u>	<u>(2,500,727)</u>	<u>5,199,477</u>
OTHER FINANCING SOURCES (USES)					
Transfers/Allocation In	-	-	-	3,025,000	3,025,000
Transfers/Allocation Out	(3,025,000)	-	-	-	(3,025,000)
Total Other Financing Sources (Uses)	<u>(3,025,000)</u>	<u>-</u>	<u>-</u>	<u>3,025,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,495,128	2,180,076	(0)	524,273	5,199,477
FUND BALANCE, Beginning of Year as previously stated	8,094,871	10,600,994	-	1,015,457	19,711,322
Change in Accounting Principle	279,830	-	-	-	279,830
FUND BALANCE, Beginning of Year restated	<u>8,374,701</u>	<u>10,600,994</u>	<u>-</u>	<u>1,015,457</u>	<u>19,991,152</u>
FUND BALANCE, End of Year	<u>\$ 10,869,829</u>	<u>\$ 12,781,070</u>	<u>\$ (0)</u>	<u>\$ 1,539,730</u>	<u>\$ 25,190,629</u>

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

DURANGO SCHOOL DISTRICT 9-R
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended
June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$	5,199,477
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 the assets is allocated over their estimated useful lives as depreciation expense. This is the difference between capital outlay and depreciation in the current period.		
Capital Outlay	\$	1,966,695
Depreciation expense		<u>(4,190,668)</u>
		(2,223,973)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		233,990
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
2010 G.O. Refunding Bonds	\$	3,915,000
2015 G.O. Refunding Bonds		875,000
Accrued Interest Payable		34,815
Capital Lease Payments		<u>436,123</u>
		5,260,938
Governmental funds report the effect of premiums, discounts, and other similar items when debt is first issued; whereas these amounts are in the statement of activities. This amount is the deferred and amortized in the treatment of long-term related items.		
Bond Premium Amortization		541,698
In the statement of activities, certain operating expenses - compensated absences and special termination benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the net effect of compensated absences payable on the statement of net position.		34,918
Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension and OPEB expenses.		<u>12,303,394</u>
Change in Net Position of Governmental Activities	\$	<u>21,350,442</u>

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

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Durango School District 9-R (District) have been prepared in conformity with 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 more significant accounting policies are described below.

Reporting Entity

The District was organized under the provisions of Colorado statutes for the purpose of operating elementary and secondary schools, primarily in La Plata County. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Pursuant to the definition of component units in GASB Statements 14, 39, and 61, the District's Board of Education has included one component unit, The Juniper School (a District Authorized Charter School).

Related Organizations: The Durango Foundation for Educational Excellence provides opportunities for individuals and groups beyond what the schools can offer. Its mission is to preserve, support, and improve educational opportunities with the community by developing a community partnership among schools, businesses and individuals. Financial activity for the Foundation is not included within the District's financial statements. Financial statements may be obtained at the Foundation's offices.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The interfund services provided and used are not eliminated in the process of the consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues.

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 within 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The District defines this as 60 days. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. The District does not allocate indirect expenses.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

- *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.
- *Debt Service Fund* – This fund accounts for servicing of general long-term debt not being financed by proprietary funds.
- *Governmental Designated Grants Fund*- This fund accounts for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The federal, state and local grants account for revenue and expenses specifically related to grants which have various restrictions based on the specific grant.

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

For the purposes of the statement of cash flows, the District considers all highly liquid investment purchases with an original maturity of three months or less to be cash equivalents. The District pools all cash on an entity-wide basis for management and investment purposes. Each fund has an interest in the pool, which is available upon demand.

Investments in securities are stated at fair value. Investments in joint ventures by governmental funds are recorded as expenditures at the time the investment is made.

Receivables and Payables

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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Interfund receivables/payables within governmental activities are eliminated in the statement of net position. All other interfund transactions are reported as transfers.

Property taxes are levied by the Board of Education. The levy is based on assessed valuations determined by the County Assessor generally as of January 1st of each year. The levy is set by December 15th by certification to the County Commissioners to put the tax lien on the individual properties as of December of each year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30th or, if in equal installments, at the taxpayer's election, on February 28th and June 15th.

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Delinquent taxpayers are notified in August and tax sales of the liens on delinquent properties are held in November. The County Treasurer generally remits the taxes collected monthly to the District.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund financial statements. Prepaid items are recognized using the consumption method.

Inventories

Inventories are held by the General Fund and the Food Service Fund and are valued at cost using the first-in/first-out (FIFO) 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 non-operating revenues when expended.

Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value at the date of donation.

The capitalization level is \$5,000 in all funds. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Buildings and improvements and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50-100
Buildings- Improvements	20-30
Land Improvements	20-30
Equipment and Vehicles	5-20
Computer Software	5

Compensated Absences

Each employee of the District may accumulate a total of 90 days of sick leave; however, employees are paid for the accumulated sick leave upon retirement.

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.

The District budgets the available financial resources for that year’s anticipated payments for compensated absences.

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Unearned Grant Revenue

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period.

In addition to liabilities, the balance sheet reports a separate section of deferred inflows of resources. This represents an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period.

Certain amounts related to pensions and OPEB must be deferred.

Accrued Salaries and Benefits

Salaries and benefits to teachers and certain other employees are paid over a twelve-month period from September 1 to August 31, but are earned over a school year of approximately nine months. The salaries earned, but unpaid, at June 30, 2020, are reflected in the financial statements as an accrued liability.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are unearned and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

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

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

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Other Post Employment Benefits

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported by classification based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the five categories:

- *Nonspendable Fund Balance* – are amounts that cannot be spent because they are not in spendable form – such as inventory and prepaid expenditures.
- *Restricted Fund Balance* – are amounts restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – are amounts that can only be used for specific purposes as a result of constraints imposed through adopted resolution by the Board of Education, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

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- *Assigned Fund Balance* – are amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance* – are amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

In the General Fund, the District strives to maintain a committed fund balance of no less than 10% of the general fund budgeted revenues.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates. The District believes the techniques and assumptions used in establishing these estimates are appropriate.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles 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 current year and actual data for the prior year.

Budgets are required by Colorado State Statute for all funds. During 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.

The Chief Financial Officer is required by District policy to present a quarterly report to the Board of Education explaining any variances from the approved budget.

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. Expenditures may not legally exceed appropriations at the fund level. 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 result from the non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects, and normal operating variances. All budgets are adopted on a basis consistent with US generally accepted accounting principles (GAAP), except for the General Fund.

The Board of Education may authorize supplemental appropriations during the year. The Board of Education approved supplemental appropriations during the fiscal year ended June 30, 2020, which are reflected within the financial statements.

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Stewardship

Total expenditures exceeded budgeted appropriations in the following funds:

Interscholastic Activities Fund \$ 1,483

This may be a violation of Colorado State Statute 22-44-115(1).

Restatement of Net Position and Fund Balance

During fiscal 2020, the District was no longer self-insured for dental and health insurance. As such the ending fund balance in the dental fund (an internal service fund) was more appropriately reclassified to the general fund. The impact to the general fund was an increase of \$279,830 to beginning fund balance.

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2020, the District’s cash, deposits, and investments had a bank balance and carrying balance as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Cash on Hand and in Banks	\$ 5,709,633	\$ 4,992,544
COLOTRUST	30,189,394	30,189,394
Total Deposits	\$ 35,899,027	\$ 35,181,938
Governmental Funds		\$ 35,181,938
Total Cash and Deposits on the Statement of Net Position		\$ 35,181,938

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government 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 the 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 fair value of the collateral must be at least equal to 102 percent of the uninsured deposits.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. At June 30, 2020, \$5,459,633 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

The District does not have a policy relating to interest rate risk.

Investments

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
- General obligation and revenue bonds of U.S. local government entities
- Banker’s acceptance of certain banks

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- Commercial paper holding the highest credit rating category and with a maturity within 180 days
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

As of June 30, 2020, the District had the following investments:

Investments	Maturity	Fair Value	Rating
COLOTRUST	Less than 1 year	\$ 30,189,394	AAAm

State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments, including bank obligations, general obligation bonds, and commercial paper, are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more of the nationally recognized rating agencies. COLOTRUST has over \$1 billion in assets, is rated AAAm by Standard and Poors, and maintains a constant net asset value of \$1 per share. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. Financial statements for COLOTRUST are available on www.colotruster.com.

NOTE 3 INTERFUND TRANSACTIONS AND INTERNAL BALANCES

Significant interfund transfers included are for activities supported by General Fund revenues. Interfund transfers recorded at the fund level and eliminated at the government-wide level at June 30, 2020, are as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ -	\$ 3,025,000
Food Service Fund	350,000	-
Interscholastic Activities Fund	1,100,000	-
Capital Projects Fund	1,500,000	-
After School Enrichment Program Fund	75,000	-
Total	\$ 3,025,000	\$ 3,025,000

All interfund transfers are results of supporting operations within the food service fund, interscholastic activities fund and afterschool enrichment program fund. The transfer for capital projects is designed to set aside funding for necessary capital repairs within the District.

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NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the governmental and business-type capital assets for the year ended June 30, 2020:

<i>Governmental Activities</i>	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
Non-depreciable				
Land and Improvements	\$ 6,415,255	\$ -	\$ -	\$ 6,415,255
Construction in Progress	201,856	306,401	(201,856)	306,401
Total Non-depreciable	<u>6,617,111</u>	<u>306,401</u>	<u>(201,856)</u>	<u>6,721,656</u>
Depreciable				
Land Improvements	4,169,191	299,337	-	4,468,528
Buildings and Improvements	144,036,447	786,198	-	144,822,645
Equipment and Vehicles	9,614,878	776,616	(234,119)	10,157,375
Total Depreciable	<u>157,820,516</u>	<u>1,862,151</u>	<u>(234,119)</u>	<u>159,448,548</u>
Accumulated Depreciation				
Land Improvements	(773,352)	(239,841)	-	(1,013,193)
Buildings and Improvements	(69,818,612)	(3,408,229)	-	(73,226,841)
Equipment and Vehicles	(8,024,918)	(542,598)	234,119	(8,333,397)
Total Accumulated Depreciation	<u>(78,616,882)</u>	<u>(4,190,668)</u>	<u>234,119</u>	<u>(82,573,431)</u>
Net Depreciable Capital Assets	<u>79,203,634</u>	<u>(2,328,517)</u>	<u>-</u>	<u>76,875,117</u>
Total Capital Assets	<u>\$ 85,820,745</u>	<u>\$ (2,022,116)</u>	<u>\$ (201,856)</u>	<u>\$ 83,596,773</u>

Depreciation expense was charged to the following functions:

Instructional Services	\$ 2,246,074
Pupil Support Services	460,312
Administration	266,313
Business Services	40,245
Operations and Maintenance	374,955
Transportation	105,255
Central Supporting Services	522,641
Food Services	101,106
Other Supporting Services	73,767
Total	<u>\$ 4,190,668</u>

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NOTE 5 LONG-TERM OBLIGATIONS

Changes in Long-Term Debt

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

	<u>6/30/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2020</u>	<u>Due within one year</u>
<i>Governmental Activities</i>					
General Obligation Bonds					
Series 2010 Refunding	\$ 10,280,000	\$ -	\$ 3,915,000	\$ 6,365,000	\$ 4,070,000
Series 2011 Refunding	17,200,000	-	-	17,200,000	-
Series 2015 Refunding	875,000	-	875,000	-	-
	<u>28,355,000</u>	<u>-</u>	<u>4,790,000</u>	<u>23,565,000</u>	<u>4,070,000</u>
Bond Premium	2,007,444	-	541,698	1,465,746	483,712
Capital Lease Agreement	3,131,864	-	436,123	2,695,741	446,515
Compensated Absences	1,664,194	-	34,918	1,629,276	67,428
Total	<u>\$ 35,158,502</u>	<u>\$ -</u>	<u>\$ 5,802,739</u>	<u>\$ 29,355,763</u>	<u>\$ 5,067,655</u>

General Obligation Refunding Bond, Series 2010

The District issued General Obligation Refunding Bonds, Series 2010, denominations of \$5,000, dated July 20, 2010, total issue \$26,015,000. The bonds were issued for the purpose of advance refunding a portion of the General Obligation Bonds, Series 2003. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities which were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on November 1, 2013. The advance refunding meets the requirements of an in-substance debt defeasance and the term bonds were removed from the government-wide financial statements of the District. The outstanding balance of the defeased bonds was paid in full on November 1, 2013.

Interest, at a rate of 2.0% to 5.0%, is payable each May 1 and November 1. Principal is due annually November 1, 2010 through 2021.

The bonds are not subject to redemption prior to maturity at the option of the District.

General Obligation Refunding Bond, Series 2011

The District issued General Obligation Refunding Bonds, Series 2011 denominations of \$5,000, dated November 29, 2011, total issue \$17,200,000. The bonds were issued for the purpose of advance refunding a portion of the General Obligation Bonds, Series 2003. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities which were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on November 1, 2013. The advance refunding meets the requirements of an in-substance debt defeasance and the term bonds were removed from the Government-wide financial statements of the District. The outstanding balance of the defeased bonds was paid in full on November 1, 2013.

Interest, at a rate of 3.0% to 5.0%, is payable each May 1 and November 1. Principal is due annually November 1, 2021 through 2024.

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Bonds maturing on or before November 1, 2021, are not subject to redemption prior to maturity. Bonds maturing on November 1, 2022, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, in such a manner as the District may determine, on November 1, 2021, or any date thereafter at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date without a redemption premium.

General Obligation Refunding Bond, Series 2015

The District issued General Obligation Refunding Bonds, Series 2015, denominations of \$5,000, dated August 25, 2015. The bonds were issued for the purpose of advance refunding the General Obligation Bonds, Series 2005. The net proceeds from the issuance of the general obligation bonds were placed into an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on November 1, 2015. The advance refunding meets the requirements of an in-substance debt defeasance and the term bonds were removed from the government-wide financial statements of the District. The outstanding balance of the defeased bonds was paid in full on November 1, 2015.

Interest, at a rate of 2.0% to 3.0%, is payable each May 1 and November 1. Principal is due annually November 1, 2016 through 2019.

The bonds are not subject to redemption prior to maturity at the option of the District.

All bonds noted above are general obligations of the District and shall be payable from general and ad valorem taxes required to be levied, without limitation as to rate, and in amounts sufficient to pay the principal and interest on the bonds, on all taxable property of the District, except to the extent other legally available funds are applied for such purpose.

Total debt service requirements to maturity of all bonds outstanding are as follows.

Fiscal Year Ending	Principal	Interest	Total
June 30,			
2021	\$ 4,070,000	\$ 997,363	\$ 5,067,363
2022	4,220,000	822,925	5,042,925
2023	5,785,000	592,050	6,377,050
2024	5,955,000	312,088	6,267,088
2025	3,535,000	88,375	3,623,375
Total	\$ 23,565,000	\$ 2,812,801	\$ 26,377,801

Capital Lease Agreements

The District obtained an annually renewable equipment lease-purchase agreement, dated August 1, 2012, for \$3,052,303 for equipment required by the McKinstry Energy Performance Contract. The equipment is included in the capital assets at a cost of \$3,052,303, with accumulated depreciation of \$2,289,226. The agreement will be repaid from the General Fund in quarterly payments of principal and interest at 2.6%.

The District obtained an annually renewable lease purchase agreement for the acquisition, construction, equipping, and installation of track and field improvements at Durango High School and Escalante Middle School, dated June 15, 2016, for \$1,900,000. The capital improvements are included in capital assets at a cost of \$3,136,488, with accumulated depreciation of \$661,026. The agreement will be repaid from the Capital Projects Fund in annual payments of principal and interest at 2.05%.

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The debt service requirements to maturity on leases outstanding is as follows:

Fiscal Year Ending	Principal	Interest	Total
June 30,			
2021	\$ 446,515	\$ 61,057	\$ 507,572
2022	457,157	50,415	507,572
2023	468,057	39,515	507,572
2024	479,220	28,352	507,572
2025	490,654	16,918	507,572
2026	354,138	5,689	359,827
Total	\$ 2,695,741	\$ 201,946	\$ 2,897,687

Compensated Absences

Compensated absences are liquidated by the General Fund, Governmental Designated Grant Fund, Interscholastic Activity Fund, After School Enrichment Program Fund, and Food Service Fund.

NOTE 6 SHORT-TERM DEBT

It was unnecessary for the District to participate in the State of Colorado interest-free loan program during the fiscal year.

NOTE 7 TAX, SPENDING, AND DEBT LIMITATION

In November of 1992, Colorado voters approved a State Constitutional amendment, referred to as the Taxpayer’s Bill of Rights (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 1997, 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. The Amendment 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 a reserve of 3% of fiscal year spending to be used only for declared emergencies. Net position of \$1,980,588 was restricted at June 30, 2020, to meet this requirement.

NOTE 8 RISK MANAGEMENT

As of July 1, 2019 the District stopped being self-insured for dental and health insurance. The June 30, 2019 ending fund balance for the dental insurance fund was \$279,830. During the 2019-2020 school year the District received run-out claims in the amount of \$25,096.74 for dental insurance. The beginning fund balance in the dental insurance fund was more appropriately reclassified into the general fund.

The June 30, 2019 ending fund balance for the health insurance fund was \$0. During the 2019-2020 school year the District received run-out claims in the amount of \$738,464.78. There was an incurred but not reported liability balance in the health insurance fund for the 2018-2019 fiscal year of \$391,373 of which, \$12,668 was covered by the general fund, as it exceed the available fund balance. The general fund ended up covering an additional \$359,759 of excess run out claims during 2019-2020.

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NOTE 9 DEFINED BENEFIT PENSION PLAN

Plan description. Eligible employees of the District are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2019. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

Contributions provisions as of June 30, 2020- Eligible employees, the District, and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDT are established under C.R.S. § 24-51-401, *et seq* and §24-51-413. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 through June 30, 2020
Employer Contribution Rate	10.40%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	-1.02%
Amount Apportioned to the SCHDTF ¹	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.50%
Total Employer Contribution Rate to the SCHDTF	19.38%

¹ Contribution Rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$6,328,448 for the year ended June 30, 2020.

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

The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2019. The

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District's proportion of the net pension liability was based on the District contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the District reported a liability of \$83,184,656 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's were as follows:

Durango School District's proportionate share of the net pension liability	\$83,184,656
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Durango School District	<u>10,550,916</u>
Total	<u>\$93,735,572</u>

At December 30, 2019, the District's proportion was 0.56 percent, which was a decrease of 0.022 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020 the District recognized a deficit pension expense of \$(11,927,930) and revenue of \$799,131 for support from the State as a nonemployer contributing entity. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,533,618	\$ -
Changes of assumptions or other inputs	2,374,795	37,731,772
Net difference between projected and actual earnings on pension plan investments	-	9,854,050
Changes in proportionate share and differences between contributions recognized and proportionate share of share of contributions	525,650	7,667,877
Contributions subsequent to the measurement date	<u>3,142,844</u>	<u>-</u>
Total	<u>\$ 10,576,907</u>	<u>\$55,253,699</u>

\$3,142,844 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2021	(25,418,900)
2022	(18,551,229)
2023	(497,450)
2024	(3,352,056)
Thereafter	-

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

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

¹ For 2019, the annual increase was 0.00 percent

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

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

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

The actuarial assumptions used in the December 31, 2018, 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.

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

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which

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best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional .50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional .50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they

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are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 110,320,664	\$ 83,184,656	\$ 60,401,612

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

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Plan description. Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as

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amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

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

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

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, the HCTF or the 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.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$333,076 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$4,090,187 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to

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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 District contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the District proportion was .364 percent, which was a decrease of .012 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020 the District recognized OPEB expense of (\$21,323). At June 30, 2020, District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,573	\$ 687,302
Changes of assumptions or other inputs	33,933	-
Net difference between projected and actual earnings on pension plan investments	-	68,271
Changes in proportionate share and differences between contributions recognized and proportionate share of share of contributions	311,477	139,434
Contributions subsequent to the measurement date	165,413	-
Total	\$ 524,396	\$ 895,007

\$165,413 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2021	\$ (89,107)
2022	(89,100)
2023	(69,333)
2024	(120,294)
2025	(160,189)
Thereafter	(7,998)

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB	

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plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent for 2019, gradually increasing to 4.5 percent in 2029

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

The actuarial assumptions used in the December 31, 2018, 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 sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

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

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

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

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

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

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

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

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	3.75%
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 the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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

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

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

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

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

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

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

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

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

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

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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

	1% Decreases 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	<u>\$ 3,993,026</u>	<u>\$ 4,090,187</u>	<u>\$ 4,202,463</u>

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	<u>\$ 3,993,026</u>	<u>\$ 4,090,187</u>	<u>\$ 4,202,463</u>

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

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

NOTE 11 OTHER RETIREMENT PLANS

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2016, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$18,000. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional \$6,000 contribution in 2016. Special 457(b) catch-up contributions allow a participant for 3 years prior to the normal retirement age to contribute the lesser of (1) Twice the annual limit (\$36,000 in 2015, 2016, and 2017), or (2) The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions). Contributions and earnings are tax deferred. At December 31, 2019, the plan had 18,919 participants.

Other Retirement Plans

In addition to facilitating voluntary retirements through PERA, the District offers several other options to employees. These include a 401(K) or Roth IRA through American Fidelity Assurance, a 401(K) or 403 (B) administered through AXA Equitable, and a 403(B) or a Roth IRA administered through Horace Mann Life Insurance. All of them are funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended, the costs are born by the employees, and the District does not match contributions. Employees are immediately vested in their own contributions and investment earnings.

The District made no contributions to other retirement plans during Fiscal Year 2020.

NOTE 12 RISK OF LOSS

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 for which the District carries commercial insurance. The District has property and casualty insurance with the Wright Group. Insurance claims have not exceeded coverage over the past three years.

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 13 CONTINGENCIES AND COMMITMENTS

Pandemic -In March of 2020, the COVID-19 virus was declared a global pandemic. Business continuity throughout the District could be severely impacted for months or more, as significant and unprecedented measures to mitigate the consequences of the pandemic are undertaken. The District has been awarded for \$2,665,365 of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to mitigate some of the costs/losses incurred as a result of the pandemic. During 2019-2020 the District spent \$78,729. However, no adjustments have been made to these financial statements as the potential impact is unknown at this time.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Litigation - Various claims and lawsuits are pending against the District. After consideration of applicable insurance policy coverage and relative merits of each claim or lawsuit, it is the opinion of District counsel that the potential ultimate liability resulting from these actions, if any, will not require additional accrued reserves and will not have a material adverse financial effect on the District.

NOTE 14 SUBSEQUENT EVENTS

The District had a question on the November 2020 ballot seeking approval for a general obligation bond for \$90 million. The primary areas of investment will be to address critical maintenance needs in existing facilities, replacing Miller Middle School, building a new Career and Technical Education Building, addressing safety and security needs, and sharing funds with charter partners. The voters approved the initiative by more than a 71% approval rate.

DURANGO SCHOOL DISTRICT 9-R

REQUIRED SUPPLEMENTARY INFORMATION

A budgetary comparison schedule is required for the General Fund and, if applicable, each of the District's major special revenue funds. In addition, pension and OPEB plan contributions and the District's proportionate share of the net pension and OPEB liabilities are required to supplement the basic financial statements.

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended
June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Amended</u>		
REVENUES				
Taxes	\$ 21,192,103	\$ 21,239,727	\$ 21,314,496	\$ 74,769
Specific Ownership Taxes	2,745,739	2,745,739	2,970,270	224,531
Intergovernmental Revenues				
Federal Sources	120,000	120,000	119,013	(987)
State Sources				
Equalization	34,036,176	34,912,420	34,952,471	40,051
Transportation	400,000	400,000	432,180	32,180
Other State	939,000	2,054,000	1,952,594	(101,406)
Local Sources	1,722,180	1,617,180	517,780	(1,099,400)
Interest on Investments	-	-	205,191	205,191
Miscellaneous Revenues				
Other	-	-	123,782	123,782
	<u>61,155,198</u>	<u>63,089,066</u>	<u>62,587,777</u>	<u>(501,289)</u>
Total Revenues				
EXPENDITURES				
Instructional Services	37,985,557	38,761,213	36,151,315	2,609,898
Supporting Services				
Pupil Support Services	5,233,251	5,349,146	5,129,420	219,726
Administration	4,684,651	4,788,396	4,591,704	196,692
Business Services	682,035	697,139	668,503	28,636
Operations and Maintenance	5,538,898	5,661,561	5,429,002	232,559
Transportation	1,692,653	1,730,139	1,659,070	71,069
Central Supporting Services	2,750,825	2,811,745	2,696,247	115,498
Other Supporting Services	424,783	434,190	416,355	17,835
Community Services	-	-	30,535	(30,535)
Debt Service	290,000	290,000	295,498	(5,498)
	<u>59,282,653</u>	<u>60,523,529</u>	<u>57,067,649</u>	<u>3,455,880</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,872,545</u>	<u>2,565,537</u>	<u>5,520,128</u>	<u>2,954,591</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(2,405,000)	(3,025,000)	(3,025,000)	-
	<u>(2,405,000)</u>	<u>(3,025,000)</u>	<u>(3,025,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCE	<u>\$ (532,455)</u>	<u>\$ (459,463)</u>	2,495,128	<u>\$ 2,954,591</u>
FUND BALANCE, Beginning of Year			8,094,871	
Change in Accounting Principle			<u>279,830</u>	
FUND BALANCE, Beginning of Year restated			<u>8,374,701</u>	
FUND BALANCE, End of Year			<u>\$ 10,869,829</u>	

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED GRANTS FUND
For the Fiscal Year Ended
June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Amended</u>		
REVENUES				
Intergovernmental				
Federal Sources	\$ 2,300,000	\$ 2,300,000	\$ 2,132,925	\$ (167,075)
State Sources	3,000,000	3,400,000	2,430,320	(969,680)
Local Sources	300,000	360,000	287,581	(72,419)
	<u>5,600,000</u>	<u>6,060,000</u>	<u>4,850,826</u>	<u>(1,209,174)</u>
EXPENDITURES				
Instructional Services	3,044,297	3,429,297	1,896,562	1,532,735
Supporting Services				
Pupil Support Services	1,400,000	1,400,000	2,158,064	(758,064)
Administration	100,000	100,000	112,076	(12,076)
Business Services	100,000	100,000	38	99,962
Operations and Maintenance	955,703	1,030,703	653,203	377,500
Transportation	-	-	2,962	2,962
Central Supporting Services	-	-	19,799	19,799
Other Supporting Services	-	-	8,122	(8,122)
Facilities Acquisition and Construction	-	-	-	-
Total Expenditures	<u>5,600,000</u>	<u>6,060,000</u>	<u>4,850,826</u>	<u>1,254,696</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,463,870)</u>
FUND BALANCE, Beginning of Year			<u>-</u>	
FUND BALANCE, End of Year			<u>\$ -</u>	

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.5567996247%	0.5788962262%	0.6167517314%	0.5936487224%	0.6055495021%	0.6308345451%
District's proportionate share of the net pension liability (asset)	\$ 83,184,656	\$ 102,505,467	\$ 199,435,591	\$ 176,752,181	\$ 92,614,521	\$ 85,499,271
State's proportionate share of the net pension liability	\$ 10,550,916	14,016,199	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 93,735,572</u>	<u>\$ 116,521,666</u>	<u>\$ 199,435,591</u>	<u>\$ 176,752,181</u>	<u>\$ 92,614,521</u>	<u>\$ 85,499,271</u>
District's covered payroll	\$ 32,720,033	\$ 31,824,104	\$ 28,567,619	\$ 26,643,022	\$ 26,374,119	\$ 26,428,066
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	254%	322%	698%	663%	351%	324%
Plan fiduciary net position as a percentage of the total pension liability covered payroll	64.52%	57.01%	43.96%	43.1%	59.2%	62.8%

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

**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 presents information for those years for which information is available.

See Notes to Required Supplementary Information

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 6,328,448	\$ 6,209,483	\$ 5,597,074	\$ 5,000,261	\$ 4,694,021	\$ 4,452,661	\$ 3,988,576	\$ 3,742,505	\$ 3,372,726	\$ 3,125,156
Contributions in relation to the contractually required contribution	<u>(6,328,448)</u>	<u>(6,209,483)</u>	<u>(5,597,074)</u>	<u>(5,000,261)</u>	<u>(4,694,021)</u>	<u>(4,452,661)</u>	<u>(3,988,576)</u>	<u>(3,742,505)</u>	<u>(3,372,726)</u>	<u>(3,125,156)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 32,654,514	\$ 32,391,134	\$ 30,115,278	\$ 26,987,628	\$ 26,482,692	\$ 26,371,360	\$ 26,149,589	\$ 24,788,562	\$ 23,230,173	\$ 23,185,515
Contributions as a percentage of covered payroll	19.38%	19.17%	18.59%	18.53%	17.72%	16.88%	15.25%	15.10%	14.52%	13.48%

*This schedule is presented to illustrate the requirement to show information for 10 years.

See Notes to Required Supplementary Information

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.3638962698%	0.3762747036%	0.3504359341%	0.3374369636%
District's proportionate share of the net OPEB liability (asset)	\$ 4,090,187	\$ 5,119,375	\$ 4,554,265	\$ 4,374,985
District's covered payroll	\$ 32,720,033	\$ 31,824,104	\$ 28,567,619	\$ 26,643,022
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	13%	16%	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	24.5%	17.0%	17.5%	16.7%

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

**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 presents information for those years for which information is available.

See Notes to Required Supplementary Information

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 333,076	\$ 330,390	\$ 307,176	\$ 275,274	\$ 270,123	\$ 268,988	\$ 266,726	\$ 252,843	\$ 236,948	\$ 236,492
Contributions in relation to the contractually required contribution	<u>(333,076)</u>	<u>(330,390)</u>	<u>(307,176)</u>	<u>(275,274)</u>	<u>(270,123)</u>	<u>(268,988)</u>	<u>(266,726)</u>	<u>(252,843)</u>	<u>(236,948)</u>	<u>(236,492)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 32,654,514	\$ 32,391,134	\$ 30,115,278	\$ 26,987,628	\$ 26,482,692	\$ 26,371,360	\$ 26,149,589	\$ 24,788,562	\$ 23,230,173	\$ 23,185,515
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

*This schedule is presented to illustrate the requirement to show information for 10 years.

See Notes to Required Supplementary Information

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2020

NOTE 1 NET PENSION LIABILITY

Changes in assumptions or other inputs effective for the December 31st measurement period for the following years ended:

2019 The post-retirement benefit increases to the PERA benefit structure for those hired prior to 1/1/07 was changed from 0% through 2019 and 1.5% compounded annually thereafter, to 1.25%.

2018 The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.78%

2017 The discount rate was lowered from 5.26% to 4.78%.

2016

- The price inflation assumption was lowered from 2.80% to 2.40%.
- The long-term expected rate of return assumption was lowered from 7.50% to 7.25% per year.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for actively working people, RP-2014 Healthy Annuitant Mortality Table projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

2015 There were no changes in assumptions or other inputs this measurement period compared to the prior year.

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Changes in assumptions or other inputs effective for the December 31st measurement period for the following years ended:

2019

- The PERA benefit structure for PERACare Medicare plans was revised from 5.00 percent to 5.60 percent in 2019, gradually decreasing to 4.5 percent in 2029.
- The PERA benefit structure for Medicare Part A premiums was revised from 3.25 percent for 2018, gradually rising to 5.00 percent in 2025 to 3.5 percent in 2019, gradually increasing to 4.5 percent in 2029.
- The monthly cost/premium assumed for the PERA benefit structure were revised from the following in 2018:

Medicare Plan	Cost for Members without Medicare Part A	Premiums for Members without Medicare part A
Self-Funded Medicare Supplement Plans	\$ 736	\$ 367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
United Healthcare Medicare HMO	686	213

to the following in 2019: Medicare Plan	Cost for Members without Medicare Part A	Premiums for Members without Medicare part A
Medicare Advantage/Self-Insured Prescription	\$ 601	\$ 240
Kaiser Permanente Medicare Advantage HMO	605	237

- The Medicare Part A premium was increased from \$422 to \$437 per month.
- The initial expected value of Medicare Part A benefits were revised from the following in 2018:

Medicare Plan	Cost for Members without Medicare Part A
Self-Funded Medicare Supplement Plans	\$ 289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
United Healthcare Medicare HMO	400

to the following in 2019: Medicare Plan	Cost for Members without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$ 562
Kaiser Permanente Medicare Advantage HMO	571

2018 There were no changes in assumptions or other inputs effective this measurement period compared to the prior year

2017 The Medicare Part A premiums were raised from 3.00% to 3.25%, as well as the gradual percentage rose from 4.25% in 2023 to 5.00% in 2025.

DURANGO SCHOOL DISTRICT 9-R

SUPPLEMENTARY INFORMATION

The combining financial statements represent the second level of financial reporting for the District. These financial statements present more detailed information for the individual funds in a format that segregates information by fund type.

**DURANGO SCHOOL DISTRICT 9-R
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Food Service Fund – This fund is used to account for the operations of the school breakfast and lunch programs.

Interscholastic Activities Fund – This fund is used to account for revenues and expenditures associated with interscholastic athletics and activities.

Student Activities Fund- This fund is used to account for revenues and expenditures associated with student activities.

After School Enrichment Fund- This fund is used to account for resources allocated for the after school supervision program.

CAPITAL PROJECTS FUNDS

Capital Reserve Capital Projects Fund - This fund is used to account for the purposes and limitations specified by Section 22-45-103(1)(c), C.R.S., including the acquisition of sites, buildings, equipment, and vehicles.

DURANGO SCHOOL DISTRICT 9-R
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2020

	Special Revenue Funds				Capital Projects Fund	Totals
	Food Service Fund	Inter- Scholastic Activities Fund	Student Activities Fund	After School Enrichment Fund		
ASSETS						
Equity in Pooled Cash	\$ 461,832	\$ 244,933	\$ 319,195	\$ 47,429	\$ 868,178	\$ 1,941,566
Accounts Receivable	12,418	-	-	-	-	12,418
Due from Other Funds	-	-	-	-	-	-
Materials and Supplies Inventory	27,420	-	-	-	-	27,420
Prepaid Expenses	-	11,015	-	-	-	11,015
Total Assets	<u>\$ 501,670</u>	<u>\$ 255,947</u>	<u>\$ 319,195</u>	<u>\$ 47,429</u>	<u>\$ 868,178</u>	<u>\$ 1,992,419</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 896	\$ 212,287	\$ 1,519	\$ 189	\$ -	\$ 214,890
Accrued Salaries and Benefits	167,887	43,570	(171)	26,510	-	237,796
Unearned Grant Revenues	-	-	-	-	-	-
Total Liabilities	<u>168,783</u>	<u>255,857</u>	<u>1,348</u>	<u>26,699</u>	<u>-</u>	<u>452,686</u>
Fund Balances						
Nonspendable						
Inventory	27,420	-	-	-	-	27,420
Prepaid Expenses	-	90	-	-	-	90
Restricted for						
Three Springs School	-	-	-	-	542,663	542,663
Committed for						
Activities	-	-	317,847	20,730	-	338,576
Capital Projects	-	-	-	-	325,515	325,515
Food Service	305,467	-	-	-	-	305,467
Total Fund Balances	<u>332,887</u>	<u>90</u>	<u>317,847</u>	<u>20,730</u>	<u>868,178</u>	<u>1,539,732</u>
Total Liabilities and Fund Balance	<u>\$ 501,670</u>	<u>\$ 255,947</u>	<u>\$ 319,195</u>	<u>\$ 47,429</u>	<u>\$ 868,178</u>	<u>\$ 1,992,418</u>

DURANGO SCHOOL DISTRICT 9-R
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended
June 30, 2020

Special Revenue Funds

	Food Service Fund	Inter- Scholastic Activities Fund	Student Activities Fund	After School Enrichment Fund	Capital Projects Fund	Total
REVENUES						
Intergovernmental						
Federal Sources	\$ 996,268	\$ -	\$ -	\$ -	\$ -	\$ 996,268
State Sources	25,380	-	-	-	-	25,380
Intermediate Sources	-	-	-	-	212,201	212,201
Local Sources	508,800	183,663	371,727	192,454	850	1,257,494
Total Revenues	<u>1,530,448</u>	<u>183,663</u>	<u>371,727</u>	<u>192,454</u>	<u>213,051</u>	<u>2,491,343</u>
EXPENDITURES						
Instructional Services	-	712,340	395,637	-	-	1,107,977
Supporting Services						
Pupil Support Services	-	359,159	-	-	-	359,159
Operations and Maintenance	-	-	-	-	682,210	682,210
Transportation	-	-	-	-	139,626	139,626
Food Services	1,720,636	-	-	-	-	1,720,636
Other Supporting Services	-	-	-	251,489	-	251,489
Capital Outlay	-	-	-	-	518,898	518,898
Debt Service	-	212,074	-	-	-	212,074
Total Expenditures	<u>1,720,636</u>	<u>1,283,573</u>	<u>395,637</u>	<u>251,489</u>	<u>1,340,734</u>	<u>4,992,069</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(190,188)</u>	<u>(1,099,910)</u>	<u>(23,910)</u>	<u>(59,035)</u>	<u>(1,127,683)</u>	<u>(2,500,727)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	350,000	1,100,000	-	75,000	1,500,000	3,025,000
Total Other Financing Sources (Uses)	<u>350,000</u>	<u>1,100,000</u>	<u>-</u>	<u>75,000</u>	<u>1,500,000</u>	<u>3,025,000</u>
NET CHANGE IN FUND BALANCE	159,812	90	(23,910)	15,965	372,317	524,273
FUND BALANCE, Beginning of Year	<u>173,075</u>	<u>-</u>	<u>341,757</u>	<u>4,763</u>	<u>495,862</u>	<u>1,015,457</u>
FUND BALANCE, End of Year	<u>\$ 332,887</u>	<u>\$ 90</u>	<u>\$317,847</u>	<u>\$ 20,728</u>	<u>\$ 868,179</u>	<u>\$ 1,539,730</u>

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Fiscal Year Ended
June 30, 2020

	Budget		Actual	Variance with Budget
	Original	Amended		
REVENUES				
Federal Sources	\$ 891,590	\$ 891,590	\$ 996,268	\$ 104,678
State Sources	29,365	29,365	25,380	(3,985)
Local Sources	495,638	495,638	508,800	13,162
Total Revenues	1,416,593	1,416,593	1,530,448	113,855
EXPENDITURES				
Supporting Services				
Food Services				
Salaries and Benefits	900,267	900,267	929,389	(29,122)
Purchased Services	19,750	19,750	11,880	7,870
Materials and Supplies				
Food and Milk	862,767	862,767	608,622	254,145
Other Operating	2,500	2,500	170,745	(168,245)
Total Expenditures	1,785,284	1,785,284	1,720,636	64,648
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(368,691)	(368,691)	(190,188)	178,503
OTHER FINANCING SOURCES (USES)				
Transfers In	275,000	350,000	350,000	-
Total Other Financing Sources (Uses)	275,000	350,000	350,000	-
NET CHANGE IN FUND BALANCE	\$ (93,691)	\$ (18,691)	159,812	\$ 178,503
FUND BALANCE, Beginning of Year			173,075	
FUND BALANCE, End of Year			\$ 332,887	

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
INTERSCHOLASTIC ACTIVITIES FUND
For the Fiscal Year Ended
June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Amended</u>		
REVENUES				
Miscellaneous Revenues				
Other	\$ 160,000	\$ 180,000	\$ 183,663	\$ 3,663
Total Revenues	<u>160,000</u>	<u>180,000</u>	<u>183,663</u>	<u>3,663</u>
EXPENDITURES				
Instructional Services	1,050,135	1,070,135	712,340	357,795
Supporting Services				
Pupil Support Services	-	-	359,159	(359,159)
Debt Service	<u>212,000</u>	<u>212,000</u>	<u>212,074</u>	<u>(74)</u>
Total Expenditures	<u>1,262,135</u>	<u>1,282,135</u>	<u>1,283,573</u>	<u>(1,438)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,102,135)</u>	<u>(1,102,135)</u>	<u>(1,099,910)</u>	<u>2,225</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,135)</u>	<u>\$ (2,135)</u>	90	<u>\$ 2,225</u>
FUND BALANCE, Beginning of Year			<u>-</u>	
FUND BALANCE, End of Year			<u>\$ 90</u>	

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE CAPITAL PROJECTS FUND
For the Fiscal Year Ended
June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Amended</u>		
REVENUES				
Intergovernmental				
Intermediate Sources	\$ -	\$ -	\$ 212,201	\$ 212,201
Local Sources	450,000	450,000	850	(449,150)
Total Revenues	<u>450,000</u>	<u>450,000</u>	<u>213,051</u>	<u>(236,949)</u>
EXPENDITURES				
Supporting Services				
Operations and Maintenance	-	-	682,210	(682,210)
Transportation	-	-	139,626	(139,626)
Capital Outlay	1,200,000	1,777,576	518,898	1,258,678
Total Expenditures	<u>1,200,000</u>	<u>1,777,576</u>	<u>1,340,734</u>	<u>436,842</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(750,000)</u>	<u>(1,327,576)</u>	<u>(1,127,683)</u>	<u>199,893</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,100,000	1,500,000	1,500,000	-
Transfers Out	(100,000)	-	-	-
Total Other Financing Sources (Uses)	<u>1,000,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 250,000</u>	<u>\$ 172,424</u>	<u>372,317</u>	<u>\$ 199,893</u>
FUND BALANCE, Beginning of Year			<u>495,862</u>	
FUND BALANCE, End of Year			<u>\$ 868,179</u>	

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended
June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Amended</u>		
REVENUES				
Taxes	\$ 5,977,831	\$ 5,977,831	\$ 8,019,057	\$ 2,041,226
Interest on Investments	-	-	137,900	137,900
 Total Revenues	 5,977,831	 5,977,831	 8,156,957	 2,179,126
EXPENDITURES				
Debt Service				
Principal	4,790,000	4,790,000	4,790,000	-
Interest	1,185,831	1,185,831	1,185,831	-
Other	2,000	2,000	1,050	950
 Total Expenditures	 5,977,831	 5,977,831	 5,976,881	 950
 NET CHANGE IN FUND BALANCE	 \$ -	 \$ -	 2,180,076	 \$ 2,178,176
 FUND BALANCE, Beginning of Year			 10,600,994	
 FUND BALANCE, End of Year			 \$ 12,781,070	

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
AFTER SCHOOL ENRICHMENT PROGRAM FUND
For the Fiscal Year Ended
June 30, 2020

	Budget		Actual	Variance with Budget
	Original	Amended		
OPERATING REVENUES				
Charges for Services				
Tuition	\$ 310,042	\$ 186,000	\$ 192,454	\$ 6,454
Total Operating Revenues	<u>310,042</u>	<u>186,000</u>	<u>192,454</u>	<u>6,454</u>
OPERATING EXPENSES				
Salaries and Benefits	300,373	240,000	238,311	1,689
Purchased Services	15,900	4,000	3,121	879
Supplies and Materials	6,250	3,000	2,735	265
Other	-	7,300	7,322	(22)
Total Operating Expenses	<u>322,523</u>	<u>254,300</u>	<u>251,489</u>	<u>2,811</u>
OPERATING INCOME (LOSS)	(12,481)	(68,300)	(59,035)	9,265
TRANSFERS IN	<u>30,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
CHANGE IN NET POSITION	<u>\$ 17,519</u>	<u>\$ 6,700</u>	15,965	<u>\$ 9,265</u>
NET POSITION, Beginning of Year			<u>4,763</u>	
NET POSITION, End of Year			<u>\$ 20,728</u>	

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
STUDENT ACTIVITIES FUND
For the Fiscal Year Ended
June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Amended</u>		
REVENUES				
Miscellaneous Revenues				
Other	\$ 410,000	\$ 500,000	\$ 371,727	\$ (128,273)
Total Revenues	410,000	500,000	371,727	(128,273)
EXPENDITURES				
Instructional Services	410,000	410,000	395,637	14,363
Total Expenditures	410,000	410,000	395,637	14,363
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>90,000</u>	<u>(23,910)</u>	<u>(113,910)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 90,000</u>	<u>(23,910)</u>	<u>\$ (113,910)</u>
FUND BALANCE, Beginning of Year			<u>341,757</u>	
FUND BALANCE, End of Year			<u>\$ 317,847</u>	

DURANGO SCHOOL DISTRICT 9-R STATISTICAL SECTION

This part of the Durango School District 9-R Comprehensive Annual Financial Report presents detailed data as a context for understanding the information in the financial statements, note disclosures, and required supplementary information.

Financial Trend Data

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity Data

These schedules contain information to help the reader assess the District's most significant local revenue source, the ad valorem property tax.

Debt Capacity Data

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the District's financial reports relate to the services the District provides and the activities it performs.

DURANGO SCHOOL DISTRICT 9-R
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in Capital Assets	\$ 19,041,179	\$ 20,979,725	\$ 27,267,945	\$ 32,359,384	\$ 36,000,870	\$ 37,014,006	\$ 43,572,599	\$ 47,485,436	\$ 52,326,437	\$ 55,870,286
Restricted	13,545,374	13,339,942	10,904,766	11,250,465	10,777,931	12,033,056	12,276,497	12,862,764	13,015,073	15,304,321
Unrestricted	9,907,490	12,140,395	11,117,725	7,854,541	(72,603,748)	(73,252,267)	(102,287,572)	(146,500,800)	(138,944,154)	(123,426,807)
Total Governmental Activities	42,494,043	46,460,062	49,290,436	51,464,390	(25,824,947)	(24,205,205)	(46,438,476)	(86,152,600)	(73,602,644)	(52,252,200)
Business-Type Activities										
Net Investment in Capital Assets	96,019	86,295	65,371	44,447	-	-	-	-	-	-
Unrestricted	4,662	95,834	84,371	48,888	213	9,455	2,420	4,745	-	-
Total Business-Type Activities	100,681	182,129	149,742	93,335	213	9,455	2,420	4,745		
Primary Government										
Net Investment in Capital Assets	19,137,198	21,066,020	27,333,316	32,403,831	36,000,870	37,014,006	43,572,599	47,485,436	52,326,437	55,870,286
Restricted	13,545,374	13,339,942	10,904,766	11,250,465	10,777,931	12,033,056	12,276,497	12,862,764	13,015,073	15,304,321
Unrestricted	9,912,152	12,236,229	11,202,096	7,903,429	(72,603,535)	(73,242,812)	(102,285,152)	(146,496,055)	(138,944,154)	(123,426,807)
Total Primary Government	\$ 42,594,724	\$ 46,642,191	\$ 49,440,178	\$ 51,557,725	\$(25,824,734)	\$(24,195,750)	\$(46,436,056)	\$(86,147,855)	\$(73,602,644)	\$(52,252,200)

Source: District Records (Statement of Net Assets)

DURANGO SCHOOL DISTRICT 9-R
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities:										
Instruction	\$ 24,736,092	\$ 25,102,282	\$ 25,670,050	\$ 28,256,393	\$ 30,533,314	\$ 31,160,154	\$ 48,940,646	\$ 60,444,717	7 \$ 35,556,077	7 \$ 32,897,540
Pupil Activities	4,141,938	4,183,619	5,216,886	4,897,196	5,422,972	5,999,118	9,311,883	13,016,266	7,628,000	6,690,178
Instructional Support										
General & School Administration	2,979,699	2,932,044	3,253,769	3,443,568	3,708,965	3,921,263	6,197,572	7,307,791	3,643,225	4,098,573
Business Services	528,313	604,429	651,882	623,676	612,474	638,094	1,718,662	1,516,067	853,828	584,918
Maintenance & Operations	3,906,783	4,150,919	3,906,412	4,055,091	4,804,775	4,809,893	6,395,265	8,637,237	5,916,484	5,445,609
Transportation	1,300,587	1,079,558	1,333,446	1,513,448	1,524,945	1,490,801	2,414,032	2,808,372	1,712,849	1,295,264
Central Services	1,960,251	1,983,212	2,703,123	2,301,344	2,434,996	2,675,149	3,612,387	4,237,587	2,644,356	2,736,312
Food Services					1,547,229	1,414,038	2,121,810	2,540,326	1,664,667	1,469,169
Other Community Services	211,754	37,675	40,736		142,220	143,115	507,601	420,260	1,427,361	1,072,123
Interest & Fiscal Charges	5,886,291	3,804,263	2,282,927	2,385,589	2,580,150	1,698,807	1,386,913	1,187,172	909,612	680,767
Total Governmental Activities Expenses	45,651,708	43,878,001	45,059,231	47,476,305	53,312,040	53,950,432	82,606,771	102,115,795	7 61,956,459	9 56,970,453
Business-Type Activities:										
Food Services	1,357,841	1,383,644	1,472,783	1,527,802						
After School Enrichment Program		181,173	195,485	343,591	362,361	361,132	291,059	307,486	0	0
Total Business-Type Activities	1,357,841	1,564,817	1,668,268	1,871,393	362,361	361,132	291,059	307,486	1	0
Total Primary Government Expenses	47,009,549	45,442,818	46,727,499	49,347,698	53,674,401	54,311,564	82,897,830	102,423,281	7 61,956,459	0 56,970,453
Program Revenues										
Governmental Activities:										
Operating Grants, Contributions & Interest	3,587,981	2,282,646	2,769,917	2,844,832	3,842,531	3,752,647	4,243,764	7,347,380	9,222,859	8,896,428
Capital Grants & Contributions	57,659	84,211	56,855	371,338	431,160	2,331	17,000	11,350	825,709	622,671
Charges for Services and Sales-Tuition	171,263	181,412								
Charges for Services and Sales-Other	430,897	223,033	423,748	504,353	1,021,198	1,264,208	1,202,262	1,100,685	1,271,053	995,417
Total Governmental Activities Program Revenues	4,247,800	2,771,302	3,250,520	3,720,523	5,294,889	5,019,186	5,463,026	8,459,415	11,319,621	1 10,514,516
Business-Type Activities:										
Charges for Services and Sales	547,875	704,222	698,608	709,095	297,714	319,874	249,024	229,811		
Operating Grants, Contributions & Interest	775,401	778,757	814,273	811,391						
Total Business-Type Activities Program Revenues	1,323,276	1,482,979	1,512,881	1,520,486	297,714	319,874	249,024	229,811		
Total Primary Government Program Revenues	5,571,076	4,254,281	4,763,401	5,241,009	5,592,603	5,339,060	5,712,050	8,689,226	11,319,621	1 10,514,516
Net (Expense)/ Revenue										
Governmental Activities	(41,403,908)	(41,106,699)	(41,808,711)	(43,755,782)	(48,017,151)	(48,931,246)	(77,143,745)	(93,656,380)	7 (50,636,838)	8 (46,455,937)
Business-Type Activities	(34,565)	(81,838)	(155,387)	(350,907)	(64,647)	(41,258)	(42,035)	(77,675)	1	
Total Primary Government Net Expense	(41,438,473)	(41,188,537)	(41,964,098)	(44,106,689)	(48,081,798)	(48,972,504)	(77,185,780)	(93,734,055)	7 (50,636,838)	9 (46,455,937)
General Revenues & Other Changes in Net Positions										
Governmental Activities:										
Taxes	28,722,795	27,762,586	27,299,742	26,479,304	28,584,042	28,936,827	28,819,200	29,580,471	31,272,842	32,537,813
State Equalization	16,927,048	16,851,601	17,038,215	19,138,711	20,074,131	20,874,848	25,383,015	27,946,228	31,118,491	34,952,471
Investment Earnings	116,468	118,254	36,479	19,817	16,860	46,438	133,426	279,060	450,653	343,091
Amortization of Bond Premium										
Gain on Sale Land						142,342				
Miscellaneous	605,884	500,063	475,147	586,404	358,521	601,033	609,833	451,548		
Transfer	(95,000)	(123,000)	(123,000)	(294,500)	(63,500)	(50,500)	(35,000)	(80,000)		
Total Governmental Activities	46,277,195	45,109,504	44,726,583	45,929,736	48,970,054	50,550,988	54,910,474	58,177,307	62,841,986	6 67,833,375
Business-Type Activities:										
Other sources	23,232	3,500								
Transfer	95,000	123,000	123,000	294,500	63,500	50,500	35,000	80,000		
Total Business-Type Activities	118,232	126,500	123,000	294,500	63,500	50,500	35,000	80,000		
Total Primary Government	46,395,427	45,236,004	44,849,583	46,224,236	49,033,554	50,601,488	54,945,474	58,257,307	62,841,986	6 67,833,375
Changes in Net Position										
Governmental Activities	4,873,287	4,002,805	2,917,872	2,173,954	952,903	1,619,742	(22,233,271)	(35,479,073)	12,205,149	21,350,441
Change in Accounting Principle Governmental					(78,242,240)				344,806	
Business-Type Activities	83,667	44,662	(32,387)	(56,407)	(1,147)	9,242	(7,035)	2325		
Change in Accounting Principle Business-Type					(91,975)				(4,745)	
Changes in Net Position	\$ 4,956,954	\$ 4,047,467	\$ 2,885,485	\$ 2,117,547	\$ (77,382,459)	\$ 1,628,984	\$ (22,240,306)	\$ (35,476,748)	\$ 12,545,210	0 \$ 21,350,441

Source: District Records (Statement of Activities)

DURANGO SCHOOL DISTRICT 9-R
FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ 80,363	\$ 73,981	\$ 82,608	\$ 60,763	\$ 76,261	\$ 58,549	\$ 57,815	\$ 59,273	\$ 60,305	\$ 50,032
Restricted	3,951,696	3,990,216	3,574,852	1,975,477	1,300,000	1,355,000	1,509,426	1,873,333	1,918,218	1,980,588
Committed	3,151,337	3,162,615	3,090,898	2,830,018	2,926,702	2,987,919	3,520,375	3,602,876	3,997,586	4,278,232
Assigned	1,335,063	1,985,512	2,117,852	822,535	852,354	696,385	440,119	439,759	459,301	547,648
Unassigned	1,154,274	1,753,356	436,717	950,296	1,001,744	2,509,889	2,858,934	2,381,504	1,659,461	4,013,331
Total General Fund	<u>9,672,733</u>	<u>10,965,680</u>	<u>9,302,927</u>	<u>6,639,089</u>	<u>6,157,061</u>	<u>7,607,742</u>	<u>8,386,669</u>	<u>8,356,745</u>	<u>8,094,871</u>	<u>10,869,831</u>
All Other Governmental Funds										
Nonspendable						28,720	19,374	20,122	24,621	27,419
Restricted		12,495,374	12,289,942	9,704,766	10,050,465	9,576,262	12,578,056	10,767,071	11,096,856	13,323,733
Committed					231,682	900,000			490,210	969,651
Assigned		566,783	556,880	1,657,521	1,125,410	466,386	211,735	1,431,227		-
Unassigned									4,763	-
Total all other governmental funds		<u>13,062,157</u>	<u>12,846,822</u>	<u>11,362,287</u>	<u>11,407,557</u>	<u>10,971,368</u>	<u>12,809,165</u>	<u>12,218,420</u>	<u>11,616,450</u>	<u>14,320,803</u>
General Fund										
Reserved	\$ 1,504,770									
Unreserved	<u>4,490,367</u>									
Total General Fund	<u>5,995,137</u>									
Reserved	12,309,134									
Unreserved, Reported in:										
Capital Projects Fund										
Special Revenue Funds		<u>669,783</u>								
Total All Other Governmental Funds		<u>12,978,917</u>								
Total Governmental Funds	<u>\$ 18,974,054</u>	<u>\$ 22,734,890</u>	<u>\$ 23,812,502</u>	<u>\$ 20,665,214</u>	<u>\$ 18,046,646</u>	<u>\$ 17,128,429</u>	<u>\$ 20,416,907</u>	<u>\$ 20,605,089</u>	<u>\$ 19,973,195</u>	<u>\$ 25,190,634</u>

Source: District Records (Balance Sheet - Governmental Funds)

DURANGO SCHOOL DISTRICT 9-R
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
REVENUES										
Taxes	\$ 28,662,925	\$ 28,143,157	\$ 27,422,251	\$ 26,729,197	\$ 28,109,416	\$ 28,884,317	\$ 28,429,184	\$ 29,568,039	\$ 31,252,152	\$ 32,303,823
Intergovernmental:										
Federal	2,583,554	1,142,634	1,125,808	1,447,177	1,892,374	1,716,580	2,019,784	3,045,215	3,323,075	3,248,206
State	17,716,416	17,454,483	17,739,314	20,105,493	21,212,985	22,031,148	26,616,137	31,300,618	35,883,802	39,792,945
County or Intermediate						562,188	392,528	352,848	303,998	212,201
Local	599,994	654,336	1,295,979	1,214,676	2,419,147	2,178,089	2,314,678	2,229,948	2,927,238	2,186,636
Interest	116,468	118,254	36,479	19,817	16,860	46,438	133,426	279,060	450,653	343,091
Miscellaneous	876,110	867,064	602,781	678,292	203,035	233,821	322,409	4,368		
Total Revenues	50,555,467	48,379,928	48,222,612	50,194,652	53,853,817	55,652,581	60,228,146	66,780,096	74,140,918	78,086,902
EXPENDITURES										
Current:										
Instructional	\$ 22,374,053	\$ 23,324,763	\$ 23,586,017	\$ 25,098,635	\$ 25,273,438	\$ 25,143,058	\$ 27,743,959	\$ 33,713,329	\$ 38,311,010	\$ 39,155,854
Supporting Services	15,386,056	15,491,949	17,310,118	17,498,558	18,775,786	19,422,601	20,813,504	24,088,930	26,557,313	26,729,271
Capital Outlay	434,661	725,386	3,611,798	2,042,214	2,705,635	1,997,516	3,060,102	1,953,229	863,065	518,898
Debt Service:										
Principal	4,925,000	5,045,000	7,275,000	5,070,000	4,270,000	5,495,000	5,750,000	7,519,238	7,075,977	5,226,123
Interest	3,056,623	3,057,726	2,825,235	2,569,300	3,392,150	2,035,170	1,872,944	291,613	1,460,229	1,185,831
Other	197,999	186,964	156,157	240,013	248,193	366,994	514,455	212,074	33,579	71,449
Total Expenses	46,374,392	47,831,788	54,764,325	52,518,720	54,665,202	54,460,339	59,754,964	67,778,413	74,301,173	72,887,426
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,181,075	548,140	(6,541,713)	(2,324,068)	(811,385)	1,192,242	473,182	(998,316)	(160,256)	5,199,476
Other Financing Sources (Uses)										
Sale of Fixed Assets or Land	4,658	4,449				142,342				
Proceeds of the State										
Loan Program	428,052									
Payments to the State										
Loan Program	(428,052)									
Bonds Issued	29,826,260	17,200,000				5,608,890				
Bond Refunding	(29,632,546)	(19,385,162)				(5,794,425)				
Premium on Bond Issued		2,325,499				289,929				
Lease Proceeds			3,052,303			1,900,000				
Transfers/ Allocation In	2,762,070	1,444,128	3,811,091	2,378,869	3,133,604	1,657,874	3,550,000	2,296,011	2,674,078	3,025,000
Transfers/ Allocation Out	(3,380,681)	(1,567,128)	(3,934,091)	(2,673,369)	(3,197,104)	(1,708,374)	(3,835,000)	(2,376,011)	(2,674,078)	(3,025,000)
Total Other Financing Sources (Uses)	(420,239)	21,786	2,929,303	(294,500)	(63,500)	2,096,236	(285,000)	(80,000)		
Net Change in Fund Balances	\$ 3,760,836	\$ 569,926	\$ (3,612,410)	\$ (2,618,568)	\$ (874,885)	\$ 3,288,478	\$ 188,182	\$ (1,078,316)	\$ (160,256)	\$ 5,199,476
Debt Service as a Percentage of Noncapital Expenditures	17.58%	16.94%	18.44%	14.55%	14.02%	13.83%	12.76%	11.52%	11.49%	8.80%

Source: District Records (Statement of Revenues, Expenditures, and Changes in Net Assets - Governmental Funds)

DURANGO SCHOOL DISTRICT 9-R
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Assessment Year	Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial, Agricultural & Natural Resources	Oil & Gas	State Assessed, Vacant Land & Other	Total Taxable Assessed Value	Total Direct Tax Rate	Total Actual Taxable Value	Assessed Value as a Percentage of Actual Value	Residential Assessment Rate	Oil & Gas Assessment Rate	All Others Assessment Rate
2010	2011	511,958,840	362,362,690	52,794,660	478,033,270	235,123,900	1,640,273,360	16.368	9,566,997,110	17.15%	7.96%	87.50%	29.00%
2011	2012	488,530,199	345,779,979	50,378,631	456,157,156	224,363,985	1,565,209,950	16.368	8,776,262,610	17.83%	7.96%	87.50%	29.00%
2012	2013	468,373,080	329,729,870	30,877,730	474,235,410	190,418,550	1,493,634,640	17.017	8,696,152,210	17.18%	7.96%	87.50%	29.00%
2013	2014	442,086,890	314,865,730	33,388,270	323,115,560	170,362,600	1,283,819,050	19.090	8,084,509,080	15.88%	7.96%	87.50%	29.00%
2014	2015	450,117,610	320,762,010	36,000,160	383,743,340	166,867,230	1,357,490,350	19.090	8,272,720,720	16.41%	7.96%	87.50%	29.00%
2015	2016	509,495,590	331,701,950	36,325,300	443,997,090	168,696,490	1,490,216,420	17.876	9,156,871,230	16.27%	7.96%	87.50%	29.00%
2016	2017	518,261,530	338,626,890	37,755,580	263,427,240	168,565,300	1,326,636,540	19.874	9,031,667,280	14.69%	7.96%	87.50%	29.00%
2017	2018	632,017,000	405,146,000	48,343,640	454,298,000	222,974,000	1,762,779,000	19.874	11,629,844,000	15.16%	7.96%	87.50%	29.00%
2018	2019	643,865,740	407,494,020	51,320,520	517,221,900	212,671,430	1,832,574,000	20.281	11,849,159,000	15.47%	7.96%	87.50%	29.00%
2019	2020	698,220,170	432,163,690	52,039,920	467,800,480	217,555,190	1,867,779,450	21.129	10,694,308,150	17.47%	7.15%	87.50%	29.00%

Source: La Plata County Assessor's Office (Selected Authority Abstract)

DURANGO SCHOOL DISTRICT 9-R
PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS
 LAST TEN FISCAL YEARS

Assessment Year	Fiscal Year	Durango School District 9-R					City of	La Plata	Special	Total Direct & Overlapping Rates (1)
		General Fund Millage	Bond Levy Millage	Override Levy Millage	ADA/Asbestos Abatement	Total District Millage	Total City Millage	Total County Millage	Total Special District Millage	
2010	2011	6.601	4.629	5.012	0.126	16.368	2.507	8.564	1.419	28.858
2011	2012	6.601	4.470	5.226	0.071	16.368	2.507	8.674	1.505	29.054
2012	2013	6.601	4.854	5.504	0.058	17.017	2.507	8.500	1.564	29.588
2013	2014	6.601	6.040	6.404	0.045	19.090	2.507	8.500	1.585	31.682
2014	2015	6.601	6.367	6.056	0.066	19.090	2.507	8.500	1.424	31.521
2015	2016	6.601	5.73	5.517	0.028	17.876	2.507	8.500	2.052	30.935
2016	2017	6.601	5.755	7.501	0.017	19.874	2.507	8.500	2.057	32.94
2017	2018	6.601	5.776	7.846	0.058	20.281	2.507	8.500	2.351	33.64
2018	2019	6.601	5.776	8.636	0.062	20.281	5.007	8.500	2.370	36.16
2019	2020	6.601	5.776	8.692	0.060	21.129	5.007	8.500	2.370	37.01

Notes: (1) Overlapping rates are those of local and county governments that

Sources: Durango School District 9-R Mill Levy Resolution
 La Plata County Assessor Office

DURANGO SCHOOL DISTRICT 9-R
PRINCIPAL PROPERTY TAXPAYERS
 CURRENT FISCAL YEAR AND NINE YEARS AGO

Taxpayer	Type of	2019			2010		
		Taxable	Rank	Percentage	Taxable Assessed	Rank	Percentage of
BP America Production Co.	Energy	\$ 276,104,460	1	15.07%	\$ 1,088,654,490	1	31.45%
Williams Four Corners LLC	Energy	54,077,220	2	2.95%			
Hillcorp San Juan LP	Energy	34,060,410	3				
Red Willow Production Co.	Energy	32,101,520	4	1.75%	65,554,250	8	1.89%
Red Cedar	Energy	28,978,750	5	1.58%	34,726,520	5	1.00%
XTO Energy Company	Energy	26,608,930	6	1.45%	113,242,480	3	3.27%
La Plata Electric Association	Energy	21,680,400	7	1.18%			
Enduring Resources LLC	Energy	12,110,880	8				
Catamount Energy Partners LLC	Energy	11,267,770	9				
Public Service CO of Colorado (XCI)	Energy	7,584,700	10	0.41%			
Conoco Phillips Company	Energy			0.00%	119,838,150	4	
Burlington Resources Oil & Gas	Energy			0.00%	84,960,860	7	2.45%
GRVP LLC	Energy			0.00%			
Samson Resources Company	Energy				261,388,770	2	7.55%
Chevron Texaco	Energy				35,488,090	9	1.03%
Willams Gas Processing	Energy				31,369,880	10	0.91%
Four Star Oil	Energy				73,624,690	6	2.13%
Totals		<u>\$ 504,575,040</u>		<u>24.40%</u>	<u>\$ 1,908,848,180</u>		<u>51.68%</u>
Total Assessed Valuation		\$ 1,832,573,610		100.00%	\$ 3,461,698,940		100.00%

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Source: La Plata County Assessor's Office - Top Taxpayers

DURANGO SCHOOL DISTRICT 9-R
PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN CALENDAR YEARS
 (Unaudited)

Assessment Year	Collection Year	Current Tax Levy (4)	Current Tax Collections (3)	Percent of Current Taxes Collected	Delinquent Tax Collections (1)	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy (5)
2010	2011	26,847,994	26,681,367	99.38%	49,502	26,730,869	99.56%
2011	2012	25,619,356	25,240,988	98.52%	14,770	25,255,758	98.58%
2012	2013	25,417,181	25,013,976	98.41%	20,163	25,034,139	98.49%
2013	2014	24,508,106	24,136,969	98.49%	12,309	24,149,278	98.54%
2014	2015	25,914,791	25,291,782	97.60%	11,017	25,302,799	97.64%
2015	2016	26,639,109	26,385,177	99.05%	3,460	26,388,637	99.06%
2016	2017	26,366,052	25,964,047	98.48%	5,370	25,969,417	98.50%
2017	2018	26,809,537	26,238,343	97.87%	4,238	26,242,581	97.89%
2018	2019	28,428,835	27,017,345	95.04%	4,985	27,022,330	95.05%
2019	2020	28,428,689	27,487,667	98.92%	4,985	27,492,652	96.71%

Notes:

1. Includes delinquent tax collections collected in current year not reported by county by assessment year.
2. Source: La Plata County Assessor's Office.
3. Taxes collected are from January 1 to August 31.
4. Current tax levy per Durango School District 9-R Mill Levy Resolution.
5. Because taxes are reported in the fiscal year received instead of assessment year this percentage may exceed 100%.

DURANGO SCHOOL DISTRICT 9-R
LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Assessed Value	Debt Limit (1)	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2011	1,640,273,360	328,054,672	74,320,000	253,734,672	22.65%
2012	1,565,209,950	313,041,990	68,800,000	244,241,990	21.98%
2013	1,493,634,640	298,726,928	61,525,000	237,201,928	20.60%
2014	1,283,819,050	256,763,810	56,455,000	200,308,810	21.99%
2015	1,357,490,350	271,498,070	52,185,000	219,313,070	19.22%
2016	1,490,216,420	298,043,284	46,620,000	251,423,284	15.64%
2017	1,326,636,540	265,327,308	40,870,000	224,457,308	15.40%
2018	1,762,779,000	352,555,800	35,005,000	317,550,800	9.93%
2019	1,832,574,000	366,514,800	28,355,000	338,159,800	7.74%
2020	1,396,432,130	279,286,426	23,565,000	255,721,426	8.44%

(1) Debt limit represents 20% of the assessed valuation of the District. The relevant revenue base is property taxes collected by the District based on assessed valuation.

Source: La Plata County Assessor's Office (Amended Certification of Values)
 School District 9-R debt service schedules

DURANGO SCHOOL DISTRICT 9-R
RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE
AND BONDED DEBT PER CAPITA

LAST TEN CALENDAR YEARS
(Unaudited)

Fiscal Year Ended June 30	Total Actual Taxable Value	General Bonded Debt	Less:	Percentage of Estimated Actual Taxable Vaule of Property	County Population	Bonded Debt per Capita	
			Amounts Available in Debt Service Fund (1)				Total
2011	9,566,997,110	74,320,000	13,039,846	61,280,154	0.6%	51,770	1,436
2012	8,776,262,610	68,800,000	12,289,942	56,510,058	0.6%	52,305	1,315
2013	8,696,152,210	61,525,000	9,704,766	51,820,234	0.6%	53,334	1,154
2014	8,084,509,080	56,455,000	10,050,465	46,404,535	0.6%	53,989	1,046
2015	8,272,720,720	52,185,000	9,379,652	42,805,348	0.5%	54,688	954
2016	9,156,871,230	46,620,000	10,460,541	36,159,459	0.4%	55,454	841
2017	9,031,667,280	40,870,000	10,486,381	30,383,619	0.3%	55,623	735
2018	11,629,844,000	35,005,000	10,728,481	24,276,519	0.2%	55,589	630
2019	11,849,159,000	28,355,000	10,600,993	17,754,007	0.1%	56,310	504
2020	10,694,308,150	23,565,000	12,781,070	10,783,930	0.1%	56,221	419

Source: La Plata County Assessor's Office.
Durango School District 9-R debt service schedule
US Census Bureau

(1) This is the amount restricted for debt service payments.
2016 County Population figures are estimates

DURANGO SCHOOL DISTRICT 9-R
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
 GENERAL BONDED DEBT TO GENERAL FUND EXPENDITURES
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year Ended June 30	Annual Debt Service Expenditures for General Bonded Debt	Total General Fund Expenditures	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures
2011	8,179,622	35,354,305	23.1%
2012	8,249,606	36,549,075	22.6%
2013	10,102,385	38,470,903	26.3%
2014	7,642,300	41,056,519	18.6%
2015	7,664,400	41,324,915	18.5%
2016	7,632,924	40,270,137	19.0%
2017	7,624,744	44,238,996	17.2%
2018	7,519,238	50,513,474	14.9%
2019	8,062,213	56,446,908	14.3%
2020	6,483,403	57,067,649	11.4%

Source: Durango School District 9-R debt service schedule and General Fund Schedule of Revenues, Expenditures, and Changes in Net Position

DURANGO SCHOOL DISTRICT 9-R
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			County	Per Capita	Percentage
	General Obligation	Capital	Outstanding			
2011	74,320,000	76,449	74,396,449	51,770	1,437	3.38%
2012	68,800,000	38,831	68,838,831	52,305	1,316	2.94%
2013	61,525,000	2,995,520	64,520,520	53,334	1,210	2.63%
2014	56,455,000	2,834,861	59,289,861	53,989	1,098	2.33%
2015	52,185,000	2,660,968	54,845,968	54,688	1,003	2.13%
2016	46,620,000	4,364,093	50,984,093	55,454	919	1.83%
2017	40,870,000	3,970,063	44,840,063	55,623	806	1.58%
2018	35,005,000	3,557,841	38,562,841	55,589	694	1.33%
2019	28,355,000	3,131,864	31,486,864	56,310	559	1.06%
2020	23,565,000	2,695,741	26,260,741	56,221	467	0.87%

Note: The District has similar, but not the same boundaries as La Plata County.

(1) Per capita income is reported on Table 14.

Source: Colorado Division of Local Governments
La Plata County Assessor's Office
Durango School District 9-R debt service schedule

DURANGO SCHOOL DISTRICT 9-R
COMPUTATION OF DIRECT AND OVERLAPPING DEBT

06/30/19
(Unaudited)

	2019 Assessed	Entity's General	Percentage	Amount of
Direct Debt:				
General Obligation Debt	\$ 1,832,573,610	\$ 23,565,000	100.00%	\$ 23,565,000
Capital Leases		2,695,741	100.00%	2,695,741
Overlapping Debt:				
Aspen Trails Metropolitan District	2,748,140		100.00%	
Durango West Metro District No. 1	4,927,240		100.00%	
Edgemont Ranch Metropolitan District	29,913,550	249,253	100.00%	249,253
El Rancho Florida Metro. District	3,670,750	1,045,187	100.00%	1,045,187
La Plata Archuleta Water District	341,385,280	6,335,853	100.00%	6,335,853
La Plata County Palo Verde PID No. 3	1,006,090	242,353	100.00%	242,353
Tamarron Metropolitan District	15,244,770	23,126,699	100.00%	23,126,699
Three Springs Metro. Districts 1	19,291,530	16,870,000	100.00%	16,870,000
Upper Pine River Fire Protection District	247,800,070	4,025,741	11.18%	450,078
Total Overlapping Debt				48,319,423
Total Direct General Obligation and Overlapping Debt				\$ 74,580,164
Debt Ratio				1.29%
Debt Ratio with Over-lapping Debt				3.92%

Note: The percentage of overlapping debt is based on the percentage of the entities assessed value that is included in the assessed value of the District.

Source: Durango School District 9-R records
Other district records
Assessors' Offices of La Plata and Archuleta Counties and individual taxing entities

DURANGO SCHOOL DISTRICT 9-R
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>County Population</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u>	<u>Certified Funded Pupil Count</u>	<u>School Enrollment</u>	<u>Government-wide Governmental Activities Expenses</u>	<u>Cost per Student</u>
2011	51,770	7.2%	42,032	4,496.7	4,688	\$45,651,708	\$9,738
2012	52,305	6.6%	43,834	4,443.7	4,559	\$43,878,001	\$9,624
2013	53,334	5.7%	45,476	4,395.5	4,653	\$45,059,231	\$9,684
2014	53,989	4.2%	46,492	4,362.1	4,762	\$47,476,305	\$9,970
2015	54,688	3.8%	46,388	4,353.9	4,723	\$53,312,040	\$11,288
2016	55,454	3.1%	50,206	4,411.7	4,818	\$53,950,432	\$11,199
2017	55,623	2.4%	51,110	4,812.5	5,183	\$82,606,771	\$15,938
2018	55,589	2.6%	52,030	4,976.6	5,251	\$102,115,797	\$19,447
2019	56,310	2.8%	52,966	4,958.3	5,540	\$61,956,459	\$11,183
2020	56,221	10.4%	53,920	4,473.0	5,634	\$56,970,452	\$10,112

Source: Colorado Division of Local Governments
 La Plata County records
 Durango School District 9-R enrollment records and Statement of Activities
 Per Capita Income for 2014, 2015, and 2017 unavailable. Estimates based on 1.8% annual growth

DURANGO SCHOOL DISTRICT 9-R
PRINCIPAL EMPLOYERS FOR LA PLATA COUNTY
CURRENT YEAR AND NINE YEARS AGO

Employer	2019		2010	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Southern Ute Indian Tribe	1,545	4.39%	1,500	4.81%
Mercy Regional Medical Center	941	2.67%	625	2.01%
Purgatory Recreation Management LLC	850	2.42%	N/A	0.00%
Durango School District 9-R	788	2.24%	544	1.75%
Fort Lewis College	680	1.93%	535	1.72%
La Plata County	395	1.12%	412	1.32%
Bayfield School District 11JT	390	1.11%	N/A	0.00%
City of Durango	354	1.01%	500	1.60%
Walmart	322	0.91%	353	1.13%
Rocky Mountain Chocolate Factory	190	0.54%	N/A	0.00%
Total	6,455	18.34%	4,469	14.34%
Total La Plata County Employment	35,195	100%	31,162	100%

Source: Region 9-Economic Development District of SW Colorado, La Plata County and City of Durango CAFR

Notes: Employer data is not available at the municipal level. Data presented is for La Plata County.

The most recent data available is provided in the schedule.

DURANGO SCHOOL DISTRICT 9-R

CAPITAL ASSETS BY FUNCTION

LAST TEN YEARS

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function:										
Instruction	\$138,429,785	\$139,016,439	\$136,880,287	\$137,242,054	\$139,694,769	\$141,700,844	\$ 140,880,916	\$141,704,831	\$141,671,320	\$142,756,855
Pupil Activities	107,729	245,547	260,551	1,635,056	2,385,518	2,581,405	6,212,754	6,249,088	6,247,610	6,247,610
General Administration	964,516	1,136,175	1,224,351	1,224,351	1,238,150	1,238,150	1,270,690	1,278,121	1,277,819	1,277,819
School Administration	348,674	348,674	348,674	348,674	348,674	348,674	348,674	350,713	350,630	350,630
Business Services	184,164	184,164	184,164	184,164	184,164	203,848	235,247	236,623	236,567	236,567
Maintenance & Operations	613,641	613,641	701,388	1,605,973	1,612,099	1,623,049	1,911,657	1,922,837	1,922,382	1,922,382
Transportation	4,116,907	4,331,156	4,482,616	4,379,697	4,467,112	4,692,120	4,748,110	4,775,878	4,774,749	5,317,246
Central Services	1,729,368	1,665,500	1,676,400	712,187	712,187	909,292	909,292	914,610	914,394	914,394
Food Services	265,133	276,334	276,334	276,334	134,197	282,133	422,673	425,145	425,044	425,044
Totals	\$ 146,759,917	\$ 147,817,630	\$ 146,034,765	\$ 147,608,490	\$ 150,776,870	\$ 153,579,514	\$ 156,940,013	\$ 157,857,847	\$ 157,820,516	\$159,448,548

Source: Durango School District 9-R capital asset records.

DURANGO SCHOOL DISTRICT 9-R
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUND AND EMPLOYEE TYPE
 LAST TEN YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Administrators										
General Fund	28.0	28.0	33.0	36.0	39.0	41.0	39.8	41.0	48.0	45.0
Food Service	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Kids Camp	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	<u>29.0</u>	<u>29.0</u>	<u>34.0</u>	<u>38.0</u>	<u>41.0</u>	<u>43.0</u>	<u>41.8</u>	<u>43.0</u>	<u>50.0</u>	<u>47.0</u>
Non-Teaching Professionals										
General Fund	212.7	202.0	212.7	211.0	213.5	231.5	264.9	194.6	301.6	271.0
Insurance Reserve	1.0	0.5	1.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Governmental Designated Grant				2.8	0.8	5.4	1.3	15.0	15.0	15.0
Food Service	22.4	22.9	22.4	22.6	24.0	18.1	21.0	23.2	30.5	27.3
Kids Camp	12.0	16.0	12.0	16.0	13.5	9.2	9.9	15.2	10.3	6.0
	<u>248.1</u>	<u>241.4</u>	<u>248.1</u>	<u>252.8</u>	<u>251.8</u>	<u>264.2</u>	<u>297.1</u>	<u>248.0</u>	<u>357.4</u>	<u>319.3</u>
Teachers										
General Fund	317.6	311.1	317.6	317.1	313.4	288.3	317.1	387.0	389.0	348.0
Governmental Designated Grant	11.6	11.2	11.6	13.7	12.9	9.8	3.7	16.0	16.0	16.0
	<u>329.2</u>	<u>322.3</u>	<u>329.2</u>	<u>330.7</u>	<u>326.4</u>	<u>298.1</u>	<u>320.8</u>	<u>403.0</u>	<u>405.0</u>	<u>364.0</u>
Total - All Funds										
General Fund	558.3	541.1	563.3	564.1	566.0	560.8	621.8	622.6	738.6	664.0
Food Service	23.4	23.9	23.4	23.6	25.0	19.1	22.0	24.2	31.5	28.3
Insurance Reserve	1.0	0.5	1.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Governmental Designated Grant	11.6	11.2	11.6	16.4	13.7	15.2	5.0	31.0	31.0	31.0
Kids Camp	12.0	16.0	12.0	17.0	14.5	10.2	10.9	16.2	11.3	7.0
	<u>606.3</u>	<u>592.7</u>	<u>611.3</u>	<u>621.5</u>	<u>619.2</u>	<u>605.3</u>	<u>659.7</u>	<u>694.0</u>	<u>812.4</u>	<u>730.3</u>

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Source: Durango School District 9-R human resource and payroll records.

DURANGO SCHOOL DISTRICT 9-R
NUTRITION SERVICES - FACTS AND FIGURES
LAST TEN FISCAL YEARS

	Year Ending June 30, 2020									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
October 1 pupil count	4,688	4,559	4,590	4,670	4,564	4,697	5,053	4,999	5,313	5,634
October 1 count of benefits										
Students on free lunch	1,119	1,138	1,109	1,196	1,107	1,173	1,414	1,207	1,123	1,511
Student on reduced lunch	288	348	384	287	294	324	327	369	288	356
Percentage of students on:										
Free lunch	23.87%	24.96%	24.16%	25.61%	24.26%	24.97%	27.98%	24.15%	21.14%	26.82%
Reduced lunch	6.14%	7.63%	8.37%	6.15%	6.44%	6.90%	6.47%	7.38%	5.42%	6.32%
Total	30.01%	32.59%	32.53%	31.76%	30.70%	31.87%	34.45%	31.53%	26.56%	33.14%

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Source: Durango School District 9-R records, CDE October Count - District Summary of Pupil Counts

DURANGO SCHOOL DISTRICT 9-R
MISCELLANEOUS STATISTICAL DATA

June 30, 2020
(Unaudited)

- Year of organization: 1956 - Geographical area: 1039 square miles - Accreditation: Colorado Department of Education <hr/> Number of Schools Elementary 8 Middle 2 High 2 <hr/> Totals <u>12</u>	<u>Enrollment and Funded Pupil Count</u> <hr/> <table border="0"> <thead> <tr> <th style="text-align: left;">School Year</th> <th style="text-align: right;">Enrollment</th> <th style="text-align: right;">Funded Pupil Count</th> </tr> </thead> <tbody> <tr><td>2010-2011</td><td style="text-align: right;">4,688</td><td style="text-align: right;">4,496.7</td></tr> <tr><td>2011-2012</td><td style="text-align: right;">4,559</td><td style="text-align: right;">4,443.7</td></tr> <tr><td>2012-2013</td><td style="text-align: right;">4,653</td><td style="text-align: right;">4,395.5</td></tr> <tr><td>2013-2014</td><td style="text-align: right;">4,762</td><td style="text-align: right;">4,362.1</td></tr> <tr><td>2014-2015</td><td style="text-align: right;">4,723</td><td style="text-align: right;">4,353.9</td></tr> <tr><td>2015-2016</td><td style="text-align: right;">4,818</td><td style="text-align: right;">4,411.7</td></tr> <tr><td>2016-2017</td><td style="text-align: right;">5,183</td><td style="text-align: right;">4,812.5</td></tr> <tr><td>2017-2018</td><td style="text-align: right;">5,251</td><td style="text-align: right;">4,976.6</td></tr> <tr><td>2018-2019</td><td style="text-align: right;">5,540</td><td style="text-align: right;">4,958.3</td></tr> <tr><td>2019-2020</td><td style="text-align: right;">5,634</td><td style="text-align: right;">4,473.0</td></tr> </tbody> </table>	School Year	Enrollment	Funded Pupil Count	2010-2011	4,688	4,496.7	2011-2012	4,559	4,443.7	2012-2013	4,653	4,395.5	2013-2014	4,762	4,362.1	2014-2015	4,723	4,353.9	2015-2016	4,818	4,411.7	2016-2017	5,183	4,812.5	2017-2018	5,251	4,976.6	2018-2019	5,540	4,958.3	2019-2020	5,634	4,473.0
School Year	Enrollment	Funded Pupil Count																																
2010-2011	4,688	4,496.7																																
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2017-2018	5,251	4,976.6																																
2018-2019	5,540	4,958.3																																
2019-2020	5,634	4,473.0																																

Summary of Teachers by Education Level

Education Level	Number of Teachers	Percentage of Total
Bachelor of Arts	49.00	12.10%
Bachelor of Arts + 15	12.00	2.96%
Bachelor of Arts + 30	6.00	1.48%
Bachelor of Arts + 45	63.00	15.56%
Master's Degree	119.00	29.38%
Master's Degree + 15	25.00	6.17%
Master's Degree + 30	30.00	7.41%
Master's Degree + 45	27.00	6.67%
Master's Degree + 60	74.00	18.27%
	<u>405.00</u>	<u>100.00%</u>

Teacher/Student Ratio

School Year	Enrollment	Number of Teachers	Ratio
2010-2011	4,688	329	14.24
2011-2012	4,559	322	14.15
2012-2013	4,653	329	14.13
2013-2014	4,762	331	14.40
2014-2015	4,723	326	14.47
2015-2016	4,818	298	16.16
2016-2017	5,183	321	16.16
2017-2018	5,251	403	13.03
2018-2019	5,540	405	13.68
2019-2020	5,634	364	15.48

<u>School Building Information</u>				<u>Student Capacity</u>	<u>Percentage of Capacity Used</u>
School	Total Sq. Feet	Total Class Rooms	Year Built		
Elementary				350	100
Florida Mesa	59,381	25	1959	250	100
Animas Valley	59,160	26	1994	250	90
Fort Lewis Mesa	52,647	20	1961	350	100
Needham	70,815	30	1955	350	100
Park	69,305	30	1956	350	100
Riverview	69,700	29	2004	250	90
Sunnyside	54,636	24	1962		
Middle				550	100
Miller	119,695	44	1961	550	100
Escalante	112,800	38	1994		
High				1925	100
Durango High	293,886	119	1976	225	75
Arts & Science	42,278	20	1957		

Note: * information not available

Source: Colorado Department of Education
Durango School District 9-R records

DURANGO SCHOOL DISTRICT 9-R

SINGLE AUDIT SECTION

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<i>Child Nutrition Cluster</i>			
United States Department of Agriculture			
School Breakfast Program	10.553	Colorado Department of Education, 4553	\$ 143,421
National School Lunch Program	10.555	Colorado Department of Human Services, 4555	80,658
COVID-19 - National School Lunch Program	10.555	Colorado Department of Education, 4555	329,343
National School Lunch Program	10.555	Colorado Department of Education, 4555	430,745
<i>Total Child Nutrition Cluster</i>			984,167
<i>Forest Service Schools and Roads Cluster</i>			
United States Department of Agriculture			
Schools and Roads - Grants to States	10.665	Colorado Department of Treasury and La Plata County Treasurer, 7665	119,013
<i>Special Education Cluster (IDEA)</i>			
United States Department of Education			
Special Education Grants to States	84.027	Colorado Department of Education, 4027	921,127
Special Education Preschool Grants	84.173	Colorado Department of Education, 4173	19,997
<i>Total Special Education Cluster (IDEA)</i>			941,124
<i>Total All Clusters</i>			2,044,304
<i>Other Programs</i>			
United States Department of Agriculture			
Child Nutrition Discretionary Grants Limited Availability	10.579	Colorado Department of Education, 5579	12,102
<i>Total United States Department of Agriculture</i>			12,102
United States Department of Education			
Title I Grants to Local Educational Agencies	84.010	Colorado Department of Education, 4010, 5010	556,378
Career and Technical Education -- Basic Grants to States	84.048	Colorado Community College System, 4048	33,321
Indian Education Grants to Local Educational Agencies	84.060	Colorado Department of Education, 4060	34,858

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Special Education- State Personnel Development	84.323	Colorado Department of Education, 5323	18,798
English Language Acquisition State Grants	84.365	Colorado Department of Education, 4365	17,794
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	Colorado Department of Education, 4367	115,388
Student Support and Academic Enrichment Program	84.424	Colorado Department of Education, 4424	39,635
<i>Total United States Department of Education</i>			816,172
United States Department of Treasury			
Coronavirus Relief Fund	21.019	Colorado Department of Education, 4012	78,729
<i>Total United States Department of Treasury</i>			78,729
<i>Total Other Programs</i>			907,003
<i>Total Expenditures of Federal Awards</i>			\$ 2,951,307

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance for the year ended June 30, 2020. In addition, the District did not pass-through federal funds to subrecipients.

NOTE 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Durango School District 9-R under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Durango School District 9-R, it is not intended to and does not present the financial position, changes in net position, or cash flows of Durango School District 9-R.

NOTE 3 FOOD DISTRIBUTION

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

**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**



Wall,
Smith,
Bateman Inc.

To the Board of Education
Durango School District 9-R
Durango, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Durango School District 9-R (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2020-001 that we consider to be a significant deficiency.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to the Finding

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

Purpose of this Report

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

February 1, 2021

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



Wall,
Smith,
Bateman Inc.

To the Board of Education
Durango School District 9-R
Durango, Colorado

Report on Compliance for Each Major Federal Program

We have audited Durango School District 9-R's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Durango School District 9-R complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

February 1, 2021

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes _____ none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ yes X no

Identification of major programs:

CFDA Number(s)
10.553 and 10.555

Name of Federal Program or Cluster
Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? X yes _____ no

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Section II – Financial Statement Findings

Finding 2020-001: Internal Control over Financial Reporting

Type of finding: Internal Control (significant deficiency)

Condition: Internal controls over the reconciliation of year-end cash and accrued liability accounts were not sufficient to prevent and detect financial misstatements.

Cause: The COVID-19 pandemic forced remote work arrangements which brought challenges of supervision, communication, and efficiencies.

Criteria: A system of internal controls includes the design, documentation, and monitoring of control activities over the reconciliation of year-end cash and accrued liability accounts.

Effect: As a result of this condition, cash and accrued liability audit adjustments were proposed to properly state the District's balance sheet as of June 30, 2020, in accordance with generally accepted accounting principles.

Recommendation: The District should strengthen its internal controls with adopted policies and procedures regarding year-end financial close accounting and government-wide reporting to strengthen reconciliation and monitoring processes for year-end accruals.

Management's Response: See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Audit Findings

None

CORRECTIVE ACTION PLAN

Oversight Agencies - U.S. Department of Agriculture
U.S. Department of Education

Durango School District 9-R respectfully submits the following corrective action plan for the year ended June 30, 2020.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
3001 Adcock Circle, P.O. Box 809
Alamosa, CO 81101

Audit period: Year ended June 30, 2020

The findings from the June 30, 2020 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II – Financial Statement Findings

Finding 2020-001: Internal Control over Financial Reporting

Type of finding: Internal Control (significant deficiency)

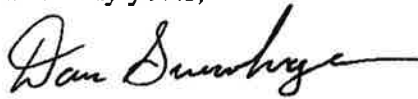
Recommendation: The District should strengthen its internal controls with adopted policies and procedures regarding year-end financial close accounting and government-wide reporting and continue to strengthen reconciliation and monitoring processes for year-end accruals.

Action Taken:

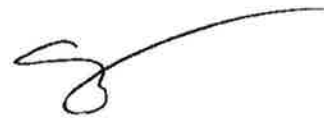
As of December 2020 a month end reconciliation checklist was instituted electronically (improving the ability for remote work/review) and this will be in place on going. A training was held for Finance staff on January 7th 2021 to discuss year end cutoff procedures and changes to the year-end process to assist in the identification of any further issues. The Finance Department has cut 2 full time positions since 2018 with an additional position that had been identified to hire in 2020 but was held due to budget constraints. As of January 2021, Finance has increased the FTE of an existing staff to assist with reconciliations and will be hiring a bond accountant to work with the District on capital assets related to construction for the term of the bond.

If the U.S. Department of Agriculture and U.S. Department of Education have questions regarding this plan, please call the responsible parties listed below.

Sincerely yours,



Dan Snowberger
Superintendent
Durango School District 9-R



Samantha Gallagher
Chief Financial Officer
Durango School District 9-R

DURANGO SCHOOL DISTRICT 9-R

CDE COMPLIANCE SECTION



Colorado Department of Education

Auditors Integrity Report

District: 1520 - Durango 9-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	8,094,872	58,403,105	55,628,146	10,869,831
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	8,094,872	58,403,105	55,628,146	10,869,831
11 Charter School Fund	286,633	1,444,919	1,329,277	402,275
20,26-29 Special Revenue Fund	346,520	639,181	647,126	338,575
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	173,076	1,880,448	1,720,637	332,887
22 Govt Designated-Purpose Grants Fund	0	4,850,825	4,850,825	0
23 Pupil Activity Special Revenue Fund	0	1,283,663	1,283,573	90
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	10,600,994	8,156,957	5,976,881	12,781,070
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	495,862	1,713,051	1,340,735	868,178
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	19,997,956	78,372,149	72,777,199	25,592,906
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	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

FINAL