

Las Animas School District RE-1
Auditor's Report and Financial Statements
June 30, 2021

Las Animas School District RE-1
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June 30, 2021

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Independent Auditor's Report

Board of Education
Las Animas School District RE-1

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Las Animas School District RE-1 (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary information, the Schedules of District's Proportionate Share of the Net Pension Liability, the Proportionate Share of the Net OPEB liability, the Contributions and Related Ratios for the Pension and OPEB be reported 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.

Management has elected to omit the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be present 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 the information to be an essential part of the financial reporting to place the basic financial statements in the appropriate operational, economic, or historic context. Our opinion on the basic financial statements is not affected by this information being omitted.

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 balance sheet, statement of revenues, budgetary information, the auditor's integrity report, and the Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The balance sheet, statement of revenues, budgetary information, the auditor's integrity report, and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 above listed accompanying supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of [Entity Name]'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

rfarmer, llc

February 24, 2022

Las Animas School District RE-1
Statement of Net Position
June 30, 2021

	<u>Governmental Activities --Total</u>
ASSETS	
Cash and equivalents	\$ 4,858,340
Property taxes receivable	7,782
Receivables	815,350
Inventories	2,235
Capital Assets:	
Land and land improvements	77,029
Vehicles	641,106
Buildings and site improvements	16,406,971
Equipment	2,675,598
Construction in progress	50,000
Less: Accumulated depreciation	<u>(9,292,065)</u>
Total Capital Assets	<u>10,558,639</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan & OPEB	<u>2,278,447</u>
Total Assets and Deferrals	<u>18,520,793</u>
LIABILITIES	
Accounts payable and accrued expenses	709,451
Unearned Revenues	727,263
Long-term liabilities	
Due within one year	
Bonds payable	165,000
Compensated Absences	30,702
Accrued Interest Payable	10,515
Due in more than one year	
Bonds payable	170,000
Net Pension & OPEB Liability	<u>9,140,095</u>
Total liabilities	<u>10,953,026</u>
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB	<u>4,147,162</u>
NET POSITION	
Net investment in capital assets	10,223,639
Restricted:	
Debt Service	413,433
Capital projects	178,552
TABOR and CPP	659,770
Unrestricted	<u>(8,054,789)</u>
Total net position	<u><u>\$ 3,420,605</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

Las Animas School District RE-1
Statement of Activities
For the Year Ended June 30, 2021

	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Position Primary Government</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government					
Governmental Activities					
Instructional:					
Instructional Services	\$ 16,797,910	\$ 24,888	\$ 1,269,105	\$ -	\$ (15,503,917)
Students	85,820	-	-	-	(85,820)
Instructional Staff	1,300,622	-	-	-	(1,300,622)
District Administration	235,621	-	-	-	(235,621)
School Administration	318,798	-	-	-	(318,798)
Business	184,663	-	-	-	(184,663)
Operations & Maintenance of Facilities	744,047	-	-	-	(744,047)
Transportation	208,059	-	-	-	(208,059)
Total Instructional	<u>19,875,540</u>	<u>24,888</u>	<u>1,269,105</u>	<u>-</u>	<u>(18,581,547)</u>
Support Services:					
Central Support	1,621,848	234,302	2,186,979	-	799,433
Food Service	410,066	5,246	320,844	-	(83,976)
Interest on Long-term debt	12,375	-	-	-	(12,375)
Total Support Services	<u>2,044,289</u>	<u>239,548</u>	<u>2,507,823</u>	<u>-</u>	<u>703,082</u>
Operation of Noninstructional Services:					
Athletic & Activity Programs	67,521	43,261	-	-	(24,260)
Total Noninstructional Services	<u>67,521</u>	<u>43,261</u>	<u>-</u>	<u>-</u>	<u>(24,260)</u>
Total governmental activities	<u>21,987,350</u>	<u>307,697</u>	<u>3,776,928</u>	<u>-</u>	<u>(17,902,725)</u>
Total primary government	<u>21,987,350</u>	<u>307,697</u>	<u>3,776,928</u>	<u>-</u>	<u>(17,902,725)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					\$ 1,319,581
Property taxes, levied for debt service					478
Specific ownership, general					114,594
State & federal aid not restricted to specific functions:					
State equalization/Per pupil revenue					17,168,842
Unrestricted investment earnings					9,685
Miscellaneous					<u>391,452</u>
Total general revenues, special items, and transfers					<u>19,004,632</u>
Change in net assets					<u>1,101,907</u>
Net position - beginning					<u>2,318,698</u>
Net position - ending					<u>\$ 3,420,605</u>

The accompanying notes to financial statements
are an integral part of these statements.

Las Animas School District RE-I
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects Capital Reserves</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,372,664	\$ 413,433	\$ 24,446	\$ 47,798	\$ 4,858,341
Taxes receivable, net	7,781	-	-	-	7,781
Due from other funds	852,849	-	-	31,800	884,649
Other receivables	16,396	-	-	798,953	815,349
Inventories	-	-	-	2,235	2,235
Total assets	<u>5,249,690</u>	<u>413,433</u>	<u>24,446</u>	<u>880,786</u>	<u>6,568,355</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	650,839	-	-	58,612	709,451
Due to other funds	213,757	-	595	670,297	884,649
Unearned revenue	740,878	-	-	(13,616)	727,262
Total liabilities	<u>1,605,474</u>	<u>-</u>	<u>595</u>	<u>715,293</u>	<u>2,321,362</u>
Fund balances:					
Non-spendable inventory	-	-	-	2,235	2,235
Restricted-debt service	-	413,433	-	-	413,433
Restricted-TABOR and CPP	520,577	-	-	-	520,577
Unassigned	3,123,639	-	-	-	3,123,639
Assigned, reported in non-major:					
Special revenue funds	-	-	23,851	163,258	187,109
Total fund balances	<u>3,644,216</u>	<u>413,433</u>	<u>23,851</u>	<u>165,493</u>	<u>4,246,993</u>
Total liabilities and fund balances	<u>\$ 5,249,690</u>	<u>\$ 413,433</u>	<u>\$ 24,446</u>	<u>\$ 880,786</u>	<u>\$ 6,568,355</u>

The accompanying notes to financial statements
are an integral part of these statements.

Las Animas School District RE-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total fund balance, governmental funds	\$ 4,246,993
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	10,558,639
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position: Pension Plan Deferred Outflow	2,278,447
Some liabilities, (such as Notes Payable, Long-term Compensated Absences, Net Pension Liability, Pension Differences-Deferred Outflow and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(13,663,474).</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 3,420,605</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

Las Animas School District RE-1
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects Capital Reserves</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property Taxes	\$ 1,319,581	\$ 478	\$ -	\$ -	\$ 1,320,059
SO Tax	114,594	-	-	-	114,594
Other Local Sources	386,209	-	2,500	43,261	431,970
State Aid	19,417,246	-	-	-	19,417,246
Charges for services	234,302	-	-	5,841	240,143
Earnings on Investments	8,566	796	323	45	9,730
Federal Aid	-	-	-	1,379,016	1,379,016
Donations and Grants	219,751	-	-	-	219,751
Total revenues	<u>21,700,249</u>	<u>1,274</u>	<u>2,823</u>	<u>1,428,163</u>	<u>23,132,509</u>
EXPENDITURES					
Instructional:					
Instructional Services	15,756,878	-	-	1,003,439	16,760,317
Support Services:					
Students	85,820	-	-	55,329	141,149
Instructional Staff	1,301,640	-	-	-	1,301,640
District Administration	235,621	-	-	-	235,621
School Administration	318,798	-	-	-	318,798
Business	184,663	-	-	-	184,663
Operations & Maintenance	715,000	-	-	-	715,000
Transportation	129,102	-	-	-	129,102
Central	1,523,119	890	183,000	-	1,707,009
Food Service	-	-	-	404,848	404,848
Total Instructional & Support	<u>20,250,641</u>	<u>890</u>	<u>183,000</u>	<u>1,463,616</u>	<u>21,898,147</u>
Non-Instructional Services:					
Athletic & Activity Programs	-	-	-	67,521	67,521
Debt Service:					
Principal	-	155,000	-	-	155,000
Interest Expense	-	12,375	-	-	12,375
Capital Outlay	-	-	914,663	-	914,663
Total Expenditures	<u>20,250,641</u>	<u>168,265</u>	<u>1,097,663</u>	<u>1,531,137</u>	<u>23,047,706</u>
Excess (deficiency) of revenues over expenditures	<u>1,449,608</u>	<u>(166,991)</u>	<u>(1,094,840)</u>	<u>(102,974)</u>	<u>84,803</u>
OTHER FINANCING SOURCES (USES)					
Other source	-	-	-	17,490	17,490
Transfers in	-	-	800,000	70,000	870,000
Transfers out	(870,000)	-	-	-	(870,000)
Total other financing sources uses	<u>(870,000)</u>	<u>-</u>	<u>800,000</u>	<u>87,490</u>	<u>17,490</u>
Net change in fund balances	579,608	(166,991)	(294,840)	(15,484)	102,293
Fund balances - beginning	3,064,608	580,424	318,691	180,977	4,144,700
Fund balances - ending	<u>\$ 3,644,216</u>	<u>\$ 413,433</u>	<u>\$ 23,851</u>	<u>\$ 165,493</u>	<u>\$ 4,246,993</u>

The accompanying notes to financial statements
are an integral part of these statements.

Las Animas School District RE-1
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds:	\$	102,293
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay of \$914,663 is less than depreciation of \$661,343 in the current period.		253,320
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Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.		155,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Net difference between PERA pension and OPEB actual expense and contributions		595,682
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Rounding		<u>(4,388)</u>
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Change in net position of governmental activities	\$	<u><u>1,101,907</u></u>
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Las Animas School District Number RE-1
Notes to Basic Financial Statements
June 30, 2021

Note 1 Summary of Significant Accounting Policies

The accounting policies of the Las Animas School District Number RE-1 (the “District”) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

The District operates under an elected Board of Education with five members.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Las Animas School District Number RE-1. The District received funding from local, state, and federal government sources and must comply within the requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by Statements No. 34, No. 39, and No. 61), “*The Financial Reporting Entity*” (GASB) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity’s financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This District is not included in any other governmental “reporting entity” as defined in GASB No. 14 and related amendments and does not include any other component unit as part of its “reporting entity”. As required by accounting principles generally accepted in the USA, these basic financial statements present the District’s financial position.

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 nonfiduciary activities of the district. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted

to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Financial statements are provided for the governmental funds. Major individual governmental funds include the General Fund, Bond Redemption Debt Service Fund, and Capital Project Fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus. Property taxes are recognized as revenues in the year the taxes are received. Grants and similar items are recognized as revenues as soon as all eligibility requirements, imposed by the provider, have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

Amounts reported as program revenues included 1) charges to customers or applicants for goods, services, or privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Property taxes are reported as receivables and deferred inflows when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

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.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows/outflows, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows.

Major Governmental Funds:

1. General Fund – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.
2. Bond Redemption Debt Service Fund – used to account for accumulation of resources for, and the payment of, long-term general obligation debt principal, interest, and related costs.
3. Capital Project Fund – used to account for bond proceeds, grants, and other sources for capital expenditures on a designated project.

Cash and Investments

Cash represents amounts on deposit with financial institutions or held by the District. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables

Property taxes levied in 2020 but uncollected in 2021 are identified as property taxes receivable. Receivables are present net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

Inventories

Materials and supplies inventories are stated at cost. Inventories recorded in the Food Services Fund consist of purchased and donated commodities. Purchased inventories are stated at cost. Donated inventories, if any, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt.

Capital Assets

Capital assets, which include property, vehicles, and equipment, are utilized for general District operations, and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the governmental column in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets in governmental funds. However, the District does capitalize interest on the construction of capital assets in business-type activities.

The monetary threshold for capitalization of assets is \$5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-40 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities statement of net position. The District records long-term debt of governmental funds at the face value. The District's general obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund. Capital leases are serviced from property taxes and other revenues of the General Fund and Capital Reserve Capital Projects Fund. The long-term accumulated unpaid accrued sick leave is serviced from property taxes and other revenues by the respective fund type from future appropriations.

Constitutional Amendment

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations, which apply to the State of Colorado and local governments. It requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any entity.

In November of 1997, the registered voters approved a ballot resolution authorizing the District to collect, retain and expend (during 1995 and beyond) all revenues from any source provided that no property tax mill levy be increased, or any new tax imposed without the consent of the voters.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any

multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service and federal funds). As of June 30, 2020, the District reserved \$652,429 for this purpose.

Spending and revenue limits are determined based on the prior fiscal year's spending adjusted for inflation in the prior calendar year plus annual increases in funded student enrollment. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions.

Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2020 property tax calendar for the District was as follows:

Levy Date	December 15, 2020
Lien Date	January 1, 2021
Tax Bills Mailed	January 1, 2021
First Installment Date	February 28, 2021
Second Installment Date	June 15, 2021
If Paid in Full, Due	April 30, 2021
Tax Sale – Delinquent Property Taxes	October 25, 2021

Compensated Absences

The District has policies regarding vacation and sick pay benefits and the payment of accumulated amounts at separation from service. After 10 years of service and termination for reasons other than retirement, payment will be made for unused leave up to 12 days based on the average daily rate paid to the employee during their last 5 years. Employees eligible for retirement will be paid $\frac{1}{4}$ of unused leave not to exceed 30 days at the average daily rate paid them during their last 5 years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interest Expense

All interest expense has been reported as unallocated in the Government-wide financial statements.

GASB Statement No. 54

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the District's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The District's Committed Fund Balance is fund balance reporting required by the School Board, either because of a School Board Policy in the School Board Policy Manual, or because of motions that passed at School Board meetings.

Assigned Fund Balance Policy:

The District's Assigned Fund Balance is fund balance reporting occurring by School Board Administration authority, under the direction of the Chief Business Officer.

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

Note 2

Reconciliation of Government-Wide and Fund Financial Statements

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a

reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resource measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis were eliminated from the government fund statements during the consolidation of governmental activities.

Note 3 Budgetary Information

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of Education in accordance with Colorado School Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Business Manager submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration should be employed as a management control device during the year for all the funds.
6. Budgets for all the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

All appropriations lapse at the end of each fiscal year. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent of Schools and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

The Debt Service, Food Service, and Student Activity Funds overspent their budgets, which may be a violation of Colorado Revised Statutes.

Note 4**Cash and Investments**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102 percent of the uninsured deposits.

At year-end, the District's carrying balance were as follows:

	Carrying Balance
Insured Deposits (FDIC)	\$ 250,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	5,778,409
Cash with County Treasurer	3,995
Cash on Hand	875
Total Cash and Deposits	<u>\$ 6,033,279</u>

Note 5**Capital Assets**

A summary of changes in capital assets is as follows:

Governmental Activities

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Non-depreciable Assets:				
Land	\$ 77,029	\$ -	\$ -	\$ 77,029
Construction in progress	50,000	-	-	50,000
Total	127,029	-	-	127,029
Depreciable Assets:				
Buildings	13,754,046	870,179	-	14,624,225
Site Improvements	1,782,746	-	-	1,782,746
Vehicles	641,106	-	-	641,106
Equipment	2,552,843	44,485	-	2,597,328
Food Service Equipment	78,270	-	-	78,270
Total	18,809,011	914,664	-	19,723,675
Less: Accumulated Depreciation				
Buildings	(7,257,474)	-	(487,446)	(7,744,920)
Site Improvements	(425,733)	-	(60,473)	(486,206)
Vehicles	(625,691)	-	(78,957)	(704,648)
Equipment	(277,836)	-	(29,249)	(307,085)
Food Service Equipment	(43,988)	-	(5,218)	(49,206)
Total	(8,630,722)	-	(661,343)	(9,292,065)
Total Capital Assets	<u>\$ 10,305,318</u>	<u>\$ 914,664</u>	<u>\$ (661,343)</u>	<u>\$ 10,558,639</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Instruction	\$ 548,121
Operation and Maintenance	29,047
Transportation	78,957
Food Service	5,218
Total Depreciation Expense	<u>\$ 661,343</u>

Note 6 Interfund Transactions

	Transfer To Other Funds	Transfer From Other Funds
General Fund	\$ 870,000	\$ -
Capital Projects	-	800,000
Food Service Fund	-	70,000
	<u>\$ 870,000</u>	<u>\$ 870,000</u>

Transfers were made in the normal course of operations to support funding needs.

Note 7 Accrued Salaries and Benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, on June 30, 2021, are estimated to be \$605,777 and have been budgeted for payment during the following fiscal year. Accordingly, the accrued shares and benefits are reflected as a liability in the accompanying financial statements of the various funds.

Note 8 Pension Plan

Defined Benefit Pension Plan:

Summary of Significant Accounting Policies:

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. A brief description of some of the major changes to plan provisions required by SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2021.

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

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

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

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

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

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. once certain criteria are met. Pursuant to SB 18-200, 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 lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual 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.

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

Contributions provisions as of June 30, 2021: Eligible employees of, the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2020, through June 30, 2021. Employer contribution requirements are summarized in the table below:

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

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. § 24-52-413, the State is required to contribute \$225 million each year to the 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 Trust Fund, and Denver Public Schools Trust Fund.

House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$612,454 for the year ended June 30, 2021.

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

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

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 Paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

On June 30, 2021, the District reported a liability of \$8,819,520 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 proportion of the net pension liability that was associated with the District were as follows:

The District's proportionate share of the net pension liability	\$ 8,819,520
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	-
Total	<u>\$ 8,819,520</u>

On December 31, 2020, the District's proportion was 1.05833 percent, which is an immaterial increase from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$275,685. On June 30, 2021, 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	\$ 484,588	\$ -
Changes of assumptions and other inputs	848,410	1,482,486
Net difference between projected and actual earnings on pension plan investments	615,994	2,557,371
Changes in proportion and difference between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date.	306,227	N/A
Total	<u>\$ 2,255,219</u>	<u>\$ 4,039,857</u>

The following presents the Trust Fund's net amount of the collective deferred outflows of resources and collective deferred inflows of resources that will be recognized in the collective pension expense for each of the subsequent five years and in the aggregate thereafter:

For the Plan Year Ended December 31,	Amounts Reported as Collective Deferred Outflows and Collective Deferred Inflows of Resources Recognized in Collective Pension Expense as Follows:
2021	(1,510,834)
2022	140,033
2023	(413,799)
2024	(306,263)
2025	-
Thereafter	-

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

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

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

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

Post-retirement non-disabled mortality assumptions 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 changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2019, 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 29, 2016, Board meeting.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

¹The opportunity Fund's name changes to Alternatives, effective January 1, 2020.

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

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the

actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total 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. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced 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. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions 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 rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net 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	\$12,030,548	\$8,819,520	\$6,143,676

Pension Plan Fiduciary Net Position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

Defined Benefit Other Post Employment Benefit (OPEB) Plan:

Summary of Significant Accounting Policies:

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

General Information About the OPEB Plan:

Plan Description. Eligible employees of the District are provided with OPEB through the HCTF – a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available Annual Report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

contribution account balance from each division as it related to the total member contribution account balance from which the retirement benefit is paid.

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

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

PERA Benefit Structure. The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The 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.

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum services-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy, in each case, is for retirees 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 retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, 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 \$31,821 for the year ended December 31, 2020.

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

On December 31, 2019, the District reported a liability of \$320,575 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The District proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

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

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

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

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

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

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above. and further adjustments for credibility.
- 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, 2019 valuation, were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 26, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

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

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

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

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

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

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

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

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

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

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

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

- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

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

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

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

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

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

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

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

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

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

The following health care costs assumptions were updated and used in the roll forward calculation 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 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

meeting, the following economic assumptions were changed, effective December 31, 2020:

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

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

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

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

¹The opportunity Fund's name changes to Alternatives, effective January 1, 2020.

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

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

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
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	\$ 312,289	\$ 320,575	\$ 330,221

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows to determine the discount rate applied the actuarial cost method and assumption 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, 2020, 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 used to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfer of dollars in the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the 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:

Sensitivity of the Net OPEB Liability			
Discount Rate	6.25%	7.25%	8.25%
Net OPEB liability	\$ 367,225	\$ 320,575	\$ 280,717

On December 31, 2020, the District's proportion was 0.0337368 percent, which is approximately the same as its proportion measured as of December 31, 2019.

For the year ended December 31, 2020, the District recognized OPEB expense of \$320,575. On December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 850	\$ 70,478
Changes of assumptions or other inputs	2,395	19,657
Net difference between projected and actual earnings on OPEB plan investments	4,070	17,169
Changes in proportion and differences between contributions recognized and proportionate share of contributions	15,910	N/A
Total	<u>\$ 23,225</u>	<u>\$ 107,304</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in collective OPEB expense as follows:

Year Ended December 31,	
2020	\$ (23,341)
2021	(21,509)
2022	(23,915)
2023	(22,241)
2024	(8,441)
Thereafter	(539)

Note 9 Joint Ventures

Not reflected in the accompanying financial statements is the District's participation in the Santa Fe Trail Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district.

The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The BOCES by-laws indicate that the entity is to have perpetual existence, but in the event of its dissolution, all assets shall be divided among member school districts on a pro rata basis determined by the BOCES board.

The BOCES is not included as a component unit of the District as the financial responsibility is minimal, there is no financial interdependency, the District does not have the ability to significantly influence the operations of the BOCES and the District is not accountable for fiscal matters of the BOCES. The BOCES files an audit annually with the Colorado State Auditor's Office.

Note 10 Long-Term Debt

The District has changes in its long-term obligations as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Current Position
Compensated Absences	\$ 30,702	\$ -	\$ -	\$ 30,702	\$ -
General Obligation Bonds 2015	490,000	-	(155,000)	335,000	160,000
	<u>\$ 520,702</u>	<u>\$ -</u>	<u>\$ (155,000)</u>	<u>\$ 365,702</u>	<u>\$ 160,000</u>

General Obligation Refunding Series 2015

On September 2, 2015, the District issued \$1,075,000 in General Obligation Refunding Bonds with an average interest rate of 3.1 percent to advance refund \$1,090,000 of outstanding 2002 General Obligation Bonds bearing interest rates ranging from 3.00 percent to 4.75 percent. Refunding proceeds of \$1,105,018 were deposited with an escrow agent to provide debt service payments of \$1,090,000 in principal and \$183,908 in interest on the 2002 Series Bonds. As a result, the portion of 2002 Bonds is considered to be defeased and the liability for the issue has been removed from the financial statements.

The District completed the advance refunding to reduce the total debt service payments over the next 7 years by \$77,933 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$99,348.

Below is a schedule of debt service requirements to maturity:

Fiscal Year	Principal	Interest
2022	\$ 165,000	\$ 7,575
2023	170,000	2,550
Total	<u>\$ 335,000</u>	<u>\$ 10,125</u>

Note 11 Colorado School Districts Self-Insurance Pool

The District belongs to the Colorado School Districts Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, Worker's Compensation, and other coverages. The Board of Directors is composed of eight persons; seven of whom are appointed by the Board of Directors of CASB and the Executive Director of CASB.

The pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contributions are determined by the Pool based on factors including, but not limited to, the adequacy of both Operating and Reserve Funds and other factors touching on the Status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight, responsibility, nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's

share of contributions to the Pool is recorded as expenditures in the fund from which they were paid.

The District's share in the Pool is not determinable from current information but is estimated to be less than 1 percent. The District's share, if calculated, would not be material to the Pool's financial information on June 30, 2020.

Note 12

Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destructions of assets; errors or omissions; injuries to employees or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Las Animas School District RE-1
Budget and Actual
General
For the year ended June 30, 2021

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Property Taxes	\$ 1,277,121	\$ 1,357,019	\$ 1,319,581
SO Taxes	107,571	107,571	114,594
Other Local Sources	427,084	427,084	386,209
State Aid	17,983,784	17,835,135	19,417,246
Charges for services	263,000	263,000	234,302
Earnings on Investments	12,175	12,175	8,566
Other	212,269	1,690,098	219,751
Total revenues	<u>20,283,004</u>	<u>21,692,082</u>	<u>21,700,249</u>
EXPENDITURES			
Instructional:			
Instructional Services	17,528,949	18,272,596	15,756,878
Support Services:			
Students	97,985	97,985	85,820
Instructional Staff	19,138	19,138	1,301,640
District Administration	(111,151)	(111,151)	235,621
School Administration	384,690	384,690	318,798
Business	391,864	421,507	184,663
Operations & Maintenance	689,676	696,650	715,000
Transportation	174,415	174,415	129,102
Central	1,117,555	1,117,555	1,523,119
Total Expenditures	<u>20,293,121</u>	<u>21,073,385</u>	<u>20,250,641</u>
Excess (deficiency) of revenues over expenditures	<u>(10,117)</u>	<u>618,697</u>	<u>1,449,608</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(521,000)</u>	<u>(665,100)</u>	<u>(870,000)</u>
Total other financing sources and uses	<u>(521,000)</u>	<u>(665,100)</u>	<u>(870,000)</u>
Net change in fund balances	(531,117)	(46,403)	579,608
Fund balances - beginning	2,987,978	2,987,978	3,064,608
Fund balances - ending	<u>\$ 2,456,861</u>	<u>\$ 2,941,575</u>	<u>\$ 3,644,216</u>

Las Animas School District RE-1
Schedule of the District's Proportionate Share of the Net Pension Liability
For Year Ended June 30, 2021

	for the years ended December 31,							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion (percentage) of the collective net pension liability	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
District's proportionate share of the collective pension liability	\$ 8,819,520	\$ 7,502,862	\$ 8,442,060	\$ 17,039,935	\$ 15,618,571	\$ 8,468,936	\$ 7,884,069	\$ 7,671,728
Payroll	\$ 3,119,799	\$ 3,267,385	\$ 3,086,216	\$ 2,499,119	\$ 2,382,277	\$ 2,349,848	\$ 2,457,376	\$ 2,423,132
District's proportionate share of the net pension liability as a percentage of its payroll	66.99%	64.52%	57.01%	43.96%	43.13%	59.13%	62.80%	64.06%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Las Animas School District RE-1
Schedule of the District's Proportionate Share of the Net OPEB Liability
For Year Ended June 30, 2021

	for the years ended December 31,				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion (percentage) of the collective net pension liability	0.03%	0.03%	0.03%	0.03%	0.03%
District's proportionate share of the collective pension liability	\$ 320,575	\$ 368,864	\$ 410,870	\$ 389,120	\$ 386,592
Payroll	\$ 3,119,799	\$ 3,267,385	\$ 3,086,216	\$ 2,499,119	\$ 2,382,277
District's proportionate share of the net pension liability as a percentage of its payroll	32.78%	24.49%	17.53%	17.53%	16.37%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Las Animas School District RE-1
Schedule of Pension Contributions and Related Ratios
For Year Ended June 30, 2021

	for the years ended December 31,								
	<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>
Statutory required contributions	\$ 612,454	\$ 568,269	\$ 501,401	\$ 471,992	\$ 437,931	\$ 416,702	\$ 414,975	\$ 389,021	\$ 371,082
Contributions in relation to the statutorily required contribution	<u>612,454</u>	<u>568,269</u>	<u>501,401</u>	<u>471,992</u>	<u>437,931</u>	<u>416,702</u>	<u>414,975</u>	<u>389,021</u>	<u>371,082</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Payroll	\$ 3,119,799	\$ 3,267,385	\$ 3,086,216	\$ 2,499,119	\$ 2,382,277	\$ 2,349,848	\$ 2,457,376	\$ 2,433,132	\$ 2,449,484
Contribution as a percentage of payroll	19.63%	17.39%	16.25%	18.89%	18.38%	17.73%	16.89%	15.99%	15.15%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Las Animas School District RE-1
Schedule of Contributions and Related Ratios OPEB
For Year Ended June 30, 2021

	for the years ended December 31,				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutory required contributions	\$ 31,821	\$ 30,097	\$ 26,734	\$ 25,491	\$ 24,299
Contributions in relation to the statutorily required contribution	<u>31,821</u>	<u>30,097</u>	<u>26,734</u>	<u>25,491</u>	<u>24,299</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,119,799	\$ 3,267,385	\$ 3,086,216	\$ 2,499,119	\$ 2,382,277
Contribution as a percentage of covered payroll	1.02%	0.92%	0.87%	1.02%	1.02%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Las Animas School District RE-1
Balance Sheet
Other Governmental Funds
June 30, 2021

	<u>Food Service</u>	<u>Title I</u>	<u>School Activity Fund</u>	<u>Total Special Revenue Funds</u>
ASSETS				
Cash and cash equivalents	\$ 216,040	\$ (298,088)	\$ 129,846	\$ 47,798
Due from other funds	31,800	-	-	31,800
Other receivables	24,534	774,419	-	798,953
Inventories	2,235	-	-	2,235
Total assets	<u>274,609</u>	<u>476,331</u>	<u>129,846</u>	<u>880,786</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	32,759	25,853	-	58,612
Due to other funds	223,889	446,408	-	670,297
Deferred revenue	-	(13,616)	-	(13,616)
Total liabilities	<u>256,648</u>	<u>458,645</u>	<u>-</u>	<u>715,293</u>
Fund balances:				
Non-spendable-inventories	2,235	-	-	2,235
Assigned	15,726	17,686	129,846	163,258
Total fund balances	<u>17,961</u>	<u>17,686</u>	<u>129,846</u>	<u>165,493</u>
Total liabilities and fund balances	<u>\$ 274,609</u>	<u>\$ 476,331</u>	<u>\$ 129,846</u>	<u>\$ 880,786</u>

Las Animas School District RE-1
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Food Service	Title I	School Activity Fund	Total-Other Governmental Funds
REVENUES				
Student Activities	\$ -	\$ -	\$ 43,261	\$ 43,261
Charges for services	5,841	-	-	5,841
Earnings on Investments	45	-	-	45
Federal Aid	320,248	1,058,768	-	1,379,016
Total revenues	<u>326,134</u>	<u>1,058,768</u>	<u>43,261</u>	<u>1,428,163</u>
EXPENDITURES				
Instructional:				
Instructional Services	-	1,003,439		1,003,439
Supporting Services:				
Instructional Staff	-	55,329	-	55,329
Food Service	404,848	-	-	404,848
Noninstructional Services:				
Athletic & Activity Programs	-	-	67,521	67,521
Total Expenditures	<u>404,848</u>	<u>1,058,768</u>	<u>67,521</u>	<u>1,531,137</u>
Excess (deficiency) of revenues over expenditures	<u>(78,714)</u>	<u>-</u>	<u>(24,260)</u>	<u>(102,974)</u>
OTHER FINANCING SOURCES (USES)				
Other source	-	17,490	-	17,490
Transfers in	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
Total other financing sources and uses	<u>70,000</u>	<u>17,490</u>	<u>-</u>	<u>87,490</u>
Net change in fund balances	<u>(8,714)</u>	<u>17,490</u>	<u>(24,260)</u>	<u>(15,484)</u>
Fund balances - beginning	<u>26,675</u>	<u>196</u>	<u>154,106</u>	<u>180,977</u>
Fund balances - ending	<u>\$ 17,961</u>	<u>\$ 17,686</u>	<u>\$ 129,846</u>	<u>\$ 165,493</u>

Las Animas School District RE-1
Budget and Actual
Capital Projects Capital Reserves
For the year ended June 30, 2021

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Other Local Sources	\$ -	\$ -	\$ 2,500
State Aid	331,541	331,541	-
Earnings on Investments	800	800	323
Total revenues	<u>332,341</u>	<u>332,341</u>	<u>2,823</u>
EXPENDITURES			
Central	150,000	150,000	183,000
Capital Outlay	449,000	449,000	914,663
Total Expenditures	<u>599,000</u>	<u>599,000</u>	<u>1,097,663</u>
Excess (deficiency) of revenues over expenditures	<u>(266,659)</u>	<u>(266,659)</u>	<u>(1,094,840)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	400,000	400,000	800,000
Total other financing sources and uses	<u>400,000</u>	<u>400,000</u>	<u>800,000</u>
Net change in fund balances	133,341	133,341	(294,840)
Fund balances - beginning	318,690	318,690	318,691
Fund balances - ending	<u>\$ 452,031</u>	<u>\$ 452,031</u>	<u>\$ 23,851</u>

Las Animas School District RE-1
Budget and Actual
Title I
For the year ended June 30, 2021

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Federal Aid	\$ 714,087	\$ 1,288,016	\$ 1,058,768
Total revenues	<u>714,087</u>	<u>1,288,016</u>	<u>1,058,768</u>
EXPENDITURES			
Instructional:			
Instructional Services	678,620	1,248,549	1,003,439
Supporting Services:			
Instructional Staff	<u>35,467</u>	<u>39,467</u>	<u>55,329</u>
Total Expenditures	<u>714,087</u>	<u>1,288,016</u>	<u>1,058,768</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	17,490
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>17,490</u>
Net change in fund balances	-	-	17,490
Fund balances - beginning	197	197	196
Fund balances - ending	<u>\$ 197</u>	<u>\$ 197</u>	<u>\$ 17,686</u>

Las Animas School District RE-1
Budget and Actual
Food Service
For the year ended June 30, 2021

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Intergovernmental	\$ 307,000	\$ 307,000	\$ -
Charges for services	34,400	34,400	5,841
Investment earnings	250	250	45
National Lunch & Breakfast Programs	11,200	11,200	320,248
Total revenues	<u>352,850</u>	<u>352,850</u>	<u>326,134</u>
EXPENDITURES			
Supporting Services:			
Food Service	<u>377,647</u>	<u>377,647</u>	<u>404,848</u>
Total Expenditures	<u>377,647</u>	<u>377,647</u>	<u>404,848</u>
Excess (deficiency) of revenues over expenditures	<u>(24,797)</u>	<u>(24,797)</u>	<u>(78,714)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>70,000</u>
Total other financing sources and uses	<u>25,000</u>	<u>25,000</u>	<u>70,000</u>
Net change in fund balances	203	203	(8,714)
Fund balances - beginning	<u>2,800</u>	<u>2,800</u>	<u>26,675</u>
Fund balances - ending	<u>\$ 3,003</u>	<u>\$ 3,003</u>	<u>\$ 17,961</u>

Las Animas School District RE-1
Budget and Actual
Debt Service
For the year ended June 30, 2021

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Property Taxes	\$ 3,200	\$ 3,200	\$ 478
Earnings on Investments	-	-	796
Total revenues	<u>3,200</u>	<u>3,200</u>	<u>1,274</u>
EXPENDITURES			
Support Services:			
Central	2,400	2,400	890
Debt Service:			
Principal	155,000	155,000	155,000
Interest and other charges	<u>17,400</u>	<u>17,400</u>	<u>12,375</u>
Total Expenditures	<u>174,800</u>	<u>174,800</u>	<u>168,265</u>
Excess (deficiency) of revenues over expenditures	<u>(171,600)</u>	<u>(171,600)</u>	<u>(166,991)</u>
Net change in fund balances	(171,600)	(171,600)	(166,991)
Fund balances - beginning	<u>580,424</u>	<u>580,424</u>	<u>580,424</u>
Fund balances - ending	<u>\$ 408,824</u>	<u>\$ 408,824</u>	<u>\$ 413,433</u>

Las Animas School District RE-1
Budget and Actual
School Activity Fund
For the year ended June 30, 2021

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Pupil activities	\$ 250,000	\$ 250,000	\$ 43,261
Total revenues	250,000	250,000	43,261
EXPENDITURES			
Noninstructional Services:			
Pupil activities	200,000	200,000	67,521
Total Expenditures	200,000	200,000	67,521
Excess (deficiency) of revenues over expenditures	50,000	50,000	(24,260)
Net change in fund balances	50,000	50,000	(24,260)
Fund balances - beginning	125,251	125,251	154,106
Fund balances - ending	\$ 175,251	\$ 175,251	\$ 129,846



Colorado Department of Education

Auditors Integrity Report

District: 0290 - Las Animas RE-1

Fiscal Year 2020-21

Colorado School District/BOCES

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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	3,087,215	20,755,017	20,069,615	3,772,618
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	-22,867	75,492	181,025	-128,399
Sub-Total	3,064,348	20,830,509	20,250,639	3,644,219
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const. Tech. Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	26,643	396,166	404,848	17,961
22 Govt Designated-Purpose Grants Fund	196	1,076,258	1,058,768	17,686
23 Pupil Activity Special Revenue Fund	154,106	43,261	67,521	129,847
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	580,424	1,274	168,265	413,433
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	318,691	802,823	1,097,663	23,851
46 Supplemental Cap Const. Tech. Main Fund	0	0	0	0
Totals	4,144,409	23,150,292	23,047,704	4,246,996
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

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**Las Animas School District RE-1
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2021**

GRANT TITLE	GRANT CODE	FEDERAL CFDA NUMBER	AMOUNT OF AWARD EXPENDED	
DEPARTMENT OF AGRICULTURE:				
National School Lunch Program Cluster:				
Summer Food Service Program	4559	10.559	<u>307,794</u>	
Total				307,794
DEPARTMENT OF EDUCATION/ COLORADO DEPARTMENT OF EDUCATION:				
Coronavirus Relief Funds	4012	21.019	1,455,057	
ESSER I	4425	84.425	74,232	
ESSER II	4420	84.425	251,879	
Title VI-B	4027	84.027	303,834	
Title IV Student Support	4424	84.424	34,590	
Title II Part A	4367	84.367	17,027	
Title I, Part A	4010	84.010	<u>634,637</u>	
				2,771,256
STATE COMMUNITY COLLEGES AND OCCUPATIONAL EDUCATION SYSTEM				
Carl Perkins Grant	4048	84.048	<u>(1,103)</u>	
Total				<u>(1,103)</u>
TOTAL FEDERAL FINANCIAL AWARDS				<u><u>\$ 3,077,947</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Las Animas School District RE-1 and is presented on the modified accrual basis of accounting.

Las Animas School District RE-1 does not use the 10% de minimis cost rate.

Las Animas School District RE-1 did not have any sub-recipients for 2020-21.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Board of Education
Las Animas School District RE-1

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Las Animas School District RE-1 (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 24, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the Schedule of Findings and Questions Costs as item 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests

disclosed one instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Las Animas School District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. 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.

rfarmer, llc

February 24, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Education
Las Animas School District RE-1

Report on Compliance for Each Major Federal Program

We have audited Las Animas School District RE-1'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, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's 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* (CFR) 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, the District 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, 2021.

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.⁵

rfarmer, llc

February 24, 2022

Las Animas School District RE-1
Schedule of Findings and Questioned Costs
June 30, 2021

Section I: Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:		
• Material weakness(es) identified?		No
• Significant deficiency(ies) identified?	Yes	
Noncompliance material to financial statements noted?		No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?		No
• Significant deficiency(ies) identified?		None reported
Type of auditor's report issued on compliance for major federal programs: unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		None under .516(a). See below
Identification of major federal programs:		
CFDA Number(s)	Name of Federal Program	
20.019	Coronavirus Relief Funds	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000	
Auditee qualified as a low-risk auditee?	Yes	

Las Animas School District RE-1
Schedule of Findings and Questioned Costs
June 30, 2021
Continued...

Section II: Financial Statement Findings

Finding 2021-001:

Criteria: The District is required to have internal accounting controls to safeguard assets and produce accurate financial statements.

Condition: The District has not had adequate internal controls designed and implemented surrounding the accounting system.

Effect: None of the bank balances or the general ledger cash in bank balances appear to agree to the bank reconciliations. Expenditures were charged to the Title I fund when expenditures should have been charged to the General Fund. Numerous adjusting entries were required to arrive at reconciled cash in bank balances and to properly classify the applicable expenditures.

Cause: The internal control system was not operated by adequately trained staff and supervision and review of staff was not adequate.

Recommendation: We recommend the District design, implement, and supervise a system of internal accounting controls to maintain an accurate general ledger and bank reconciliations.

Management's Response: Agree. Management has hired an experienced accountant and an outside consultant to process transactions and prepare and review financial statements.

Section III: Federal Awards Findings

There are not any findings that are required to be reported.