

Gunnison Watershed School District RE-1J

Financial Report

June 30, 2021



**GUNNISON
WATERSHED
SCHOOL DISTRICT**
Driven to Be the Difference

**Gunnison Watershed School District RE-1J
Financial Report
June 30, 2021**

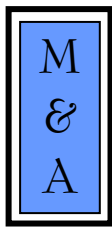
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INDEPENDENT AUDITOR'S REPORT

**To the Board of Education
Gunnison Watershed School District RE-J1**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gunnison Watershed School District RE-1J (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 U.S. generally accepted accounting principles; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 includes 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 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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 financial statement presentation.

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

Member: American Institute of Certified Public Accountants

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of Gunnison Watershed School District RE-1J as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

U.S. generally accepted accounting principles require that Management's Discussion and Analysis in Section B, and the Schedule of District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions, Schedule of District's Proportionate Share of the Net Other Post-Employment Benefit Liability and Schedule of District OPEB Contributions in Section E, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements taken as a whole. The individual fund budgetary information in section F and the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures are presented for purposes of additional analysis and are not a required part of the District's financial statements. The individual fund budgetary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters (continued)

Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit section is presented for the purpose of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is not a required part of the District's financial statements. Such information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.


McMahan and Associates, L.L.C.
December 21, 2021

Gunnison Watershed School District RE-1J

Management's Discussion and Analysis



Gunnison Watershed School District RE-1J

Management Discussion and Analysis

As management of Gunnison Watershed School District RE-1J, we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The liabilities of the District exceeded its assets as of June 30, 2021, by \$4,104,451 (net position). This is primarily due to the District's PERA Net Pension Liability of \$37,624,240 and Net OPEB Liability of \$1,367,618.
- The District's net position increased by \$10,851,009 from 2020, primarily due to the affect from changes in the District's Net Pension Liability and Net OPEB Liability.
- The District's General Fund had a fund balance of \$9,549,228, or 44% of total General Fund Expenditures.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial health of the District.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event effecting the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and changes in long-term compensated absences).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities).

- **Governmental activities:** Most of the District's basic services are included here, such as instructional services, support services, food services and student activities. Such services included activities relating to building maintenance, technology and administration.

The district-wide financial statements also include Marble Charter School, which is a discretely presented component unit of the District.

The district-wide financial statements can be found on pages C1 and C2 of this report.

Fund Financial Statements

A fund is a grouping of self-balancing, related accounts that are used to maintain control over resources that have been segregated for specific purposes. Our District uses fund accounting to ensure and demonstrate compliance with financial and government fund and proprietary funds.

Government Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The District's most significant, or "major" governmental funds include the General Fund, Bond Redemption Fund, Capital Reserve Capital Projects Fund, Food Services Fund, Pupil Activity Fund, and the 2014 Mill Levy Override Fund.

The District adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with state budget statutes.

The basic major governmental fund statements start on page C3.

Proprietary Funds

Proprietary funds are used to report the same functions presented as business-type activities in the district-wide financial statements. The District uses an enterprise fund to account for its employee health and dental benefits. Internal service funds are an accounting device used to accumulate and allocate costs internally to the District's various functions. Because the service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the district-wide financial statements, only in more detail. The proprietary fund financial statements provide financial reports for the District's health services fund which is considered to be a major fund of the District.

The basic Proprietary Fund financial statements can be found on pages C7 thru C9, of this report.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

An annual review of net position may serve as a useful indicator of a government's financial position. The District's liabilities exceeded assets by \$4,104,451. In the previous year of 2020, the liabilities exceeded assets by \$14,955,460.

The assets of the District are classified as current assets, non-current assets, and capital assets. Current assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax receivables and cash and investments.

Capital assets are made up of land, buildings, equipment/vehicles, and construction in progress. Current and long-term liabilities are classified based upon anticipated liquidation, either in the near-term or in the future.

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Statement of Net Position

The following table provides a summary of the District's net position as of the fiscal years ended June 30, 2021 and 2020.

Gunnison Watershed School District RE-1J Net Position

	2021	2020
Assets:		
Current and other assets	\$ 27,870,999	\$ 26,944,296
Capital assets, net	57,633,114	58,243,737
Total Assets	<u>85,504,113</u>	<u>85,188,033</u>
Deferred Outflows of Resources:		
Deferred refunding costs	5,106,965	4,074,483
Pension related deferred outflow	12,900,832	4,654,136
Post-employment health benefits related deferred outflow	169,605	146,151
Total deferred outflows of resources	<u>18,177,402</u>	<u>8,874,770</u>
Liabilities:		
Other liabilities	3,191,613	2,675,701
Long-term liabilities	88,377,045	83,554,658
Total Liabilities	<u>91,568,658</u>	<u>86,230,359</u>
Deferred Inflows of Resources:		
Deferred revenue	65,246	1,034,670
Pension related deferred inflow	15,696,469	21,438,596
Post-employment health benefits related deferred inflow	455,593	314,638
Total deferred inflows of resources	<u>16,217,308</u>	<u>22,787,904</u>
Net Position:		
Net investment in capital assets	13,575,318	8,668,736
Restricted	6,584,985	5,257,160
Unrestricted	(24,264,754)	(28,881,356)
Total Net Position	<u>\$ (4,104,451)</u>	<u>\$ (14,955,460)</u>

Of the District's total assets, 67% are capital assets (e.g. land, buildings, and equipment). The District uses these assets to provide instruction and related services to its students.

Net position for governmental activities increased by \$10,851,009. The following table summarizes the District's change in net position:

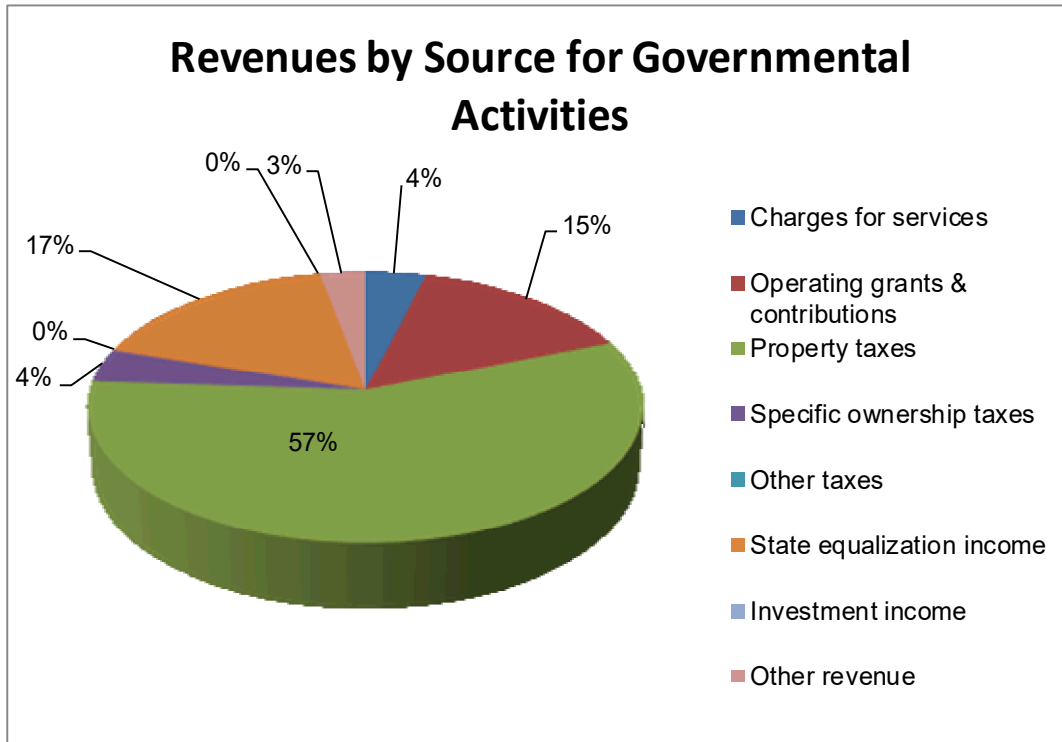
Gunnison Watershed School District RE-1J Changes in Net Position

	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,324,515	\$ 1,734,970
Operating grants & contributions	4,782,182	3,218,610
General revenues:		
Property taxes	18,696,423	18,465,129
Specific ownership taxes	1,356,014	1,249,905
State equalization income	5,399,582	6,447,387
Investment income	72,173	292,304
Other revenue	1,065,588	909,074
Gain (loss) on disposal of assets	(6,868)	(3,977)
Total Revenues	<u>32,689,609</u>	<u>32,313,402</u>
Expenses:		
Direct instruction	10,229,959	11,493,596
Indirect instruction	2,156,878	2,186,415
General administration	1,888,648	1,497,972
Support services	1,411,469	1,097,899
Custodial and maintenance	1,773,096	1,753,433
Transportation	698,076	800,812
Community Service	382	4,614
Student activities	1,037,905	1,138,535
Food services	817,855	837,087
Interest on long-term debt	1,824,332	2,158,734
Total Expenses	<u>21,838,600</u>	<u>22,969,097</u>
Change in Net Position	10,851,009	9,344,305
Net Position - Beginning of Year	<u>(14,955,460)</u>	<u>(24,299,765)</u>
Net Position - End of Year	<u><u>\$ (4,104,451)</u></u>	<u><u>\$ (14,955,460)</u></u>

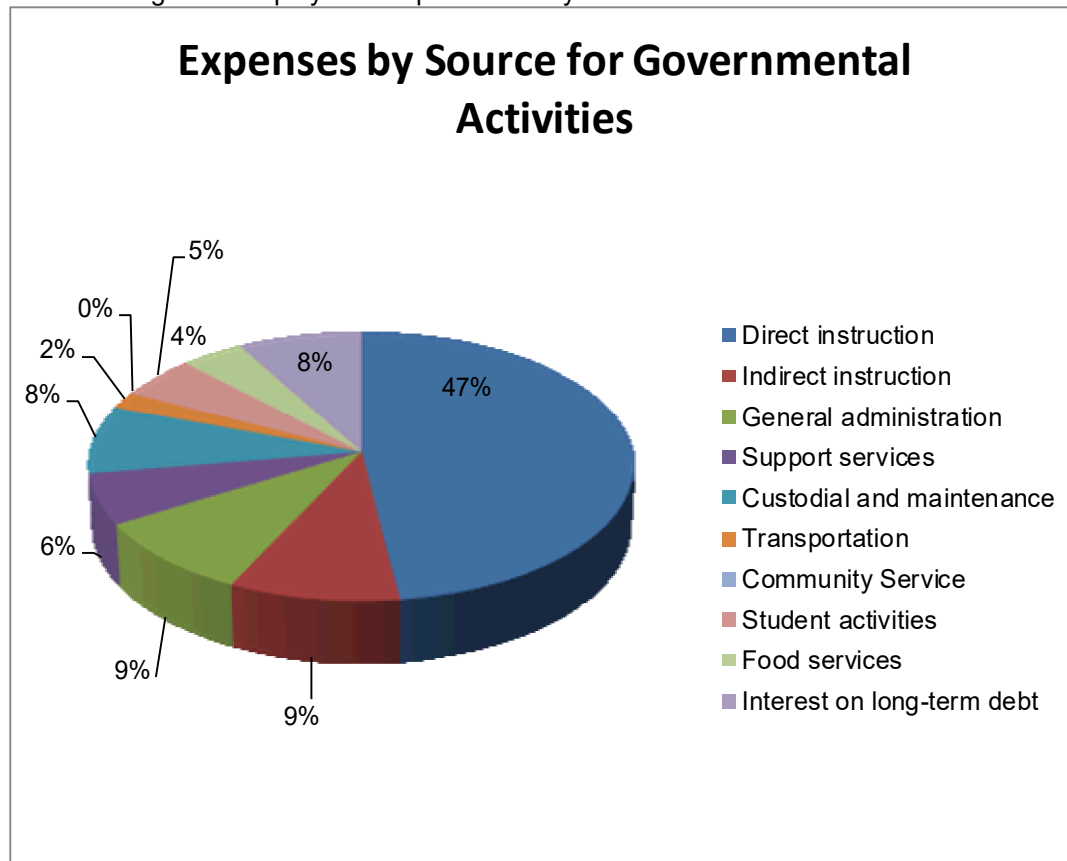
Property taxes, specific ownership tax, and per pupil state formula revenue (School Finance Act-State Equalization) account for most of the District's revenue. The remaining revenue comes from grants and contributions with the remainder from fees charged for services and miscellaneous sources.

The District's expenses predominantly relate to instruction and support services, which include support for students and instructional staff, administration, operations and maintenance, and transportation. Given that the District is a service organization providing education services to students, the majority of the expenses are paid in the form of compensation (salaries and benefits) to the District's employees. The changes in expenses relate primarily to amortization of increases in the District's Net Pension Liability.

The following chart displays the revenues by source for the total District:



The following chart displays the expenditures by source for the total District:



The District's expenditures are predominately related to instruction, with the general administrative and support services, transportation, operations and maintenance, and interest on bond payments accounting for the remaining expenditures.

Financial Analysis of the District's Funds: As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned balances may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. The District increased their unassigned balance, or fund balance, at the end of this fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$23,244,524 which is an increase of \$2,078,838 from the prior year ending fund balances.

General Fund Budgetary Highlights: The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund. The original budget is prepared based on a conservative estimate of student growth. This guarantees the District does not overstaff or overextend its financial capabilities. The General Fund's actual results were under budgeted appropriations by \$1,306,489.

Capital Assets and Debt Administration: The District's investment in capital assets for governmental activities as of June 30, 2021, amounts to \$57,633,114 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and vehicles.

Long Term Debt: As of June 30, 2021, the District had outstanding debt of \$49,164,760.

Economic Factors and Next Year's Budget: The Public School Finance Act of 1994 is the largest source of revenue for the District's operating funds. The School Finance Act calculates per-pupil funding by school District based upon a formula that takes into consideration the cost of living, number of students, District size, personnel vs. non-personnel, and number of at-risk students. The purpose of this act was to establish a financial base of support for public education, to move towards a uniform mill levy tax statewide for all Districts, and to limit future growth of and reliance upon property tax to support public education. Funding sources for the School Finance Act is derived by the following formula:

Total Program Funding = local property taxes + general specific ownership taxes + state equalization.

School District finance is also significantly affected by Amendment 23, which was approved by the voters in November 2000. This state constitutional amendment requires that statewide base per pupil funding and state categorical program funding increase by inflation plus one percent for ten years beginning with the fiscal year ended June 30, 2002. After that ten-year window has expired, the state must increase funding at the rate of inflation. This funding calculation attempts to align Colorado Districts to inflation adjusted funding levels of 1988. The formula will also increase the District's reliance upon the state and decrease the District's reliance upon funding over time.

Next Year's Budget and Fund Balance: The District's General Fund balance at the end of fiscal year 2021 is \$9,549,228. The subsequent year's budget for fiscal year 2022 is fiscally balanced.

Request for Information:

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the Business Office, Gunnison Watershed School District RE-1J, 800 North Boulevard, Gunnison, Colorado 81230.

Gunnison Watershed School District RE-1J

Basic Financial Statements



Gunnison Watershed School District RE-1J
Statement of Net Position
June 30, 2021

	Primary Government Total Governmental Activities	Component Unit Marble Charter School
ASSETS		
Cash and investments	25,951,287	217,413
Accounts receivable, net:		
Taxes	1,011,970	-
Other governments	7,384	3,158
Other	842,043	-
Prepaid expenses	51,160	-
Inventory	7,155	-
Total current assets	<u>27,870,999</u>	<u>220,571</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred refunding costs	5,106,965	-
Pension related deferred outflow	12,900,832	398,497
Post-employment health benefits related deferred outflow	169,605	7,497
Total deferred outflows of resources	<u>18,177,402</u>	<u>405,994</u>
Capital assets:		
Land	2,866,151	-
Construction in progress	795,806	-
Buildings and improvements	77,090,367	1,931,808
Equipment	2,179,139	-
Vehicles	2,790,076	-
Less: Accumulated depreciation	<u>(28,088,425)</u>	<u>(685,944)</u>
Net capital assets	<u>57,633,114</u>	<u>1,245,864</u>
Total assets	<u><u>103,681,515</u></u>	<u><u>1,872,429</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	673,973	1,408
Accrued salaries	2,430,331	57,386
Due to component unit	3,158	-
Accrued interest	84,151	-
Total current liabilities	<u>3,191,613</u>	<u>58,794</u>
Noncurrent liabilities:		
Accrued compensated absences	220,426	-
Bonded debt and capital leases:		
Due within one year	3,498,291	-
Due in more than one year	45,666,470	-
Other liabilities - due in more than one year		
Net pension liability	37,624,240	1,078,145
Post-employment health benefits (OPEB)	1,367,618	39,216
Total noncurrent liabilities	<u>88,377,045</u>	<u>1,117,361</u>
Total liabilities	<u>91,568,658</u>	<u>1,176,155</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	65,246	-
Pension related deferred inflow	15,696,469	440,626
Post-employment health benefits related deferred inflow	455,593	13,779
Total deferred inflows of resources	<u>16,217,308</u>	<u>454,405</u>
NET POSITION		
Net investment in capital assets	13,575,318	1,245,864
Restricted for:		
TABOR	816,919	21,750
Debt service	5,768,066	-
Unrestricted	<u>(24,264,754)</u>	<u>(1,025,745)</u>
Total net position	<u><u>(4,104,451)</u></u>	<u><u>241,869</u></u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Statement of Activities
For the Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Government Total Governmental Activities	Component Unit Marble Charter School
GOVERNMENTAL ACTIVITIES:					
Direct instruction	10,229,959	174,706	2,304,045	(7,751,208)	
Indirect instruction	2,156,878	-	1,472,007	(684,871)	
General administration	1,888,648	-	16,070	(1,872,578)	
Support services	1,411,469	-	-	(1,411,469)	
Custodial and maintenance	1,773,096	-	-	(1,773,096)	
Transportation	698,076	-	166,848	(531,228)	
Community service	382	-	-	(382)	
Student activities	1,037,905	1,136,004	-	98,099	
Food Services	817,855	13,805	823,212	19,162	
Interest on long-term debt	1,824,332	-	-	(1,824,332)	
Loss on disposal of assets	6,868	-	-	(6,868)	
Total governmental activities	<u>21,845,468</u>	<u>1,324,515</u>	<u>4,782,182</u>	<u>(15,738,771)</u>	
Total Primary Government	<u>21,845,468</u>	<u>1,324,515</u>	<u>4,782,182</u>	<u>(15,738,771)</u>	
COMPONENT UNIT:					
Marble Charter School	<u>585,907</u>	<u>123,545</u>	<u>-</u>		<u>(462,362)</u>
GENERAL REVENUES:					
Taxes:					
Property taxes - Levied for general operations				13,708,765	-
Property taxes - Levied for debt service				4,987,658	-
Specific ownership taxes				1,356,014	-
Per pupil revenue				-	421,778
State equalization income				5,399,582	-
Grants and contributions not restricted to specific programs				1,049,453	162,535
Investment income				72,173	-
Misc.				16,135	-
Total general revenues and transfers				<u>26,589,780</u>	<u>584,313</u>
Change in net position				10,851,009	121,951
Net position, beginning				<u>(14,955,460)</u>	<u>119,918</u>
Net position, ending				<u>(4,104,451)</u>	<u>241,869</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J

**Balance Sheet
Governmental Funds
June 30, 2021**

	General Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Food Services Fund	Pupil Activity Fund	2014 Mill Levy Override Fund	Total Governmental Funds
ASSETS							
Cash and investments	10,743,661	5,563,847	3,489,773	137,646	981,214	3,570,354	24,486,495
Accounts receivable, net:							
Taxes	487,680	204,219	-	-	-	102,078	793,977
Other	621,440	-	-	211,026	262	-	832,728
Due from other funds	7,074	-	-	-	1,271	-	8,345
Prepaid expenses	51,160	-	-	-	-	7,384	58,544
Inventories	-	-	-	7,155	-	-	7,155
Total assets	11,911,015	5,768,066	3,489,773	355,827	982,747	3,679,816	26,187,244
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued expenses	116,349	-	291,241	291	26,573	8,283	442,737
Accrued salaries	2,210,544	-	-	61,486	8,118	143,086	2,423,234
Due to component unit	3,158	-	-	-	-	-	3,158
Due to other funds	1,271	-	-	-	6,683	391	8,345
Total liabilities	2,331,322	-	291,241	61,777	41,374	151,760	2,877,474
Deferred Inflow of Resources:							
Deferred revenues	30,465	-	-	34,781	-	-	65,246
Total deferred inflow of resources	30,465	-	-	34,781	-	-	65,246
Fund balances:							
Non-spendable:							
Prepaid expenses	51,160	-	-	-	-	7,384	58,544
Inventories	-	-	-	7,155	-	-	7,155
Restricted:							
TABOR	816,919	-	-	-	-	-	816,919
Debt service	-	5,768,066	-	-	-	-	5,768,066
Committed							
Future year expenditures	3,267,674	-	-	-	-	-	3,267,674
Food service	-	-	-	252,114	-	-	252,114
Educational purposes	-	-	-	-	-	3,520,672	3,520,672
Student activities	-	-	-	-	941,373	-	941,373
Assigned	-	-	3,198,532	-	-	-	3,198,532
Unassigned	5,413,475	-	-	-	-	-	5,413,475
Total fund balances	9,549,228	5,768,066	3,198,532	259,269	941,373	3,528,056	23,244,524
of resources, and fund balances	11,911,015	5,768,066	3,489,773	355,827	982,747	3,679,816	26,187,244

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Governmental Funds Total Fund Balance	23,244,524
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Add:

Property taxes receivable will be collected this calendar year, but are not available soon enough to pay for the current period's expenditures and therefore, are deferred in the funds.

217,992

Capital assets used in governmental activities are not considered current financial resources and therefore, are not reported in the governmental funds:

Capital assets	85,721,539	
Accumulated depreciation	<u>(28,088,425)</u>	57,633,114

An internal service fund is used by the District's management to charge the cost of employee health and dental insurance to the individual funds:

Assets	1,474,108	
Liabilities	<u>(238,333)</u>	1,235,775

Less:

Deferred charges such as deferred refunding costs, premiums, and discounts on bonded debt, are treated as current transactions on the fund financial statements, but are capitalized and amortized on the Statement of Net Position:

Deferred refunding costs	5,106,965	
Premiums and discounts on bonded debt	<u>(1,290,000)</u>	3,816,965

Long-term liabilities, including bonds payable, net pension liability, arbitrage payable, accrued compensated absences, leases payable, and accrued interest are not due and payable in the current period and therefore, are not reported in the funds. This is the amount of District long-term liabilities:

Net pension liability	(37,624,240)	
Post-employment health benefits liability	(1,367,618)	
Bonds payable	(47,810,000)	
Accrued compensated absences	(220,426)	
Leases payable	(64,761)	
Accrued interest	<u>(84,151)</u>	(87,171,196)

Changes in pension related actuarial assumptions, proportion of collective pension amounts, differences between actual and expected experience and investment earnings, and differences between actual and annualized contributions to the pension plan are recorded as deferred inflows or outflows of resources and amortized over the average remaining service life of all active and inactive plan members.

Unamortized post-employment health benefits related deferred outflows	169,605	
Unamortized post-employment health benefits related deferred inflows	(455,593)	
Unamortized pension related deferred outflows	12,900,832	
Unamortized pension related deferred inflows	<u>(15,696,469)</u>	(3,081,625)

Governmental Activities Net Position	<u><u>(4,104,451)</u></u>
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The accompanying notes are an integral part of these statements.

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Food Services Fund	Pupil Activity Fund	2014 Mill Levy Override fund	Total Governmental Funds
REVENUES							
Taxes:							
Property taxes	11,230,411	4,992,410	-	-	-	2,503,723	18,726,544
Specific ownership taxes	1,356,014	-	-	-	-	-	1,356,014
Federal income	2,958,494	-	-	785,283	-	-	3,743,777
State income	7,260,608	-	-	3,925	-	-	7,264,533
Investment income	44,510	12,225	4,815	-	-	9,953	71,503
Other	404,404	-	-	-	-	-	404,404
Charges for services	-	-	-	-	1,136,004	-	1,136,004
Food sales	-	-	-	23,649	-	-	23,649
Total revenues	<u>23,254,441</u>	<u>5,004,635</u>	<u>4,815</u>	<u>812,857</u>	<u>1,136,004</u>	<u>2,513,676</u>	<u>32,726,428</u>
EXPENDITURES							
Direct instruction	13,019,957	-	-	-	-	897,495	13,917,452
Indirect instruction	2,293,630	-	-	-	-	764,206	3,057,836
General administration	2,350,462	-	-	-	-	26,980	2,377,442
Support services	867,458	-	-	-	-	77,287	944,745
Custodial and maintenance	1,822,867	-	-	-	-	64,885	1,887,752
Transportation	776,296	-	-	-	-	-	776,296
Community service	382	-	-	-	-	-	382
Student activities	-	-	-	-	1,037,905	-	1,037,905
Capital outlay	577,393	-	795,807	-	14,003	613,507	2,000,710
Food service operations	5,000	-	-	1,013,676	-	-	1,018,676
Debt service:							
Principal	-	2,445,000	-	-	-	13,911	2,458,911
Interest and fiscal charges	-	1,545,957	-	-	-	6,331	1,552,288
Total expenditures	<u>21,713,445</u>	<u>3,990,957</u>	<u>795,807</u>	<u>1,013,676</u>	<u>1,051,908</u>	<u>2,464,602</u>	<u>31,030,395</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,540,996</u>	<u>1,013,678</u>	<u>(790,992)</u>	<u>(200,819)</u>	<u>84,096</u>	<u>49,074</u>	<u>1,696,033</u>
OTHER FINANCING SOURCES (USES)							
Lease purchase proceeds	-	-	-	-	-	78,671	78,671
Sale of fixed assets	4,100	-	-	-	-	-	4,100
Bond proceeds	-	37,275,000	-	-	-	-	37,275,000
Payment to refunded bond escrow agent	-	(36,974,966)	-	-	-	-	(36,974,966)
Transfers in (out)	(615,276)	-	290,276	325,000	-	-	-
Total other financing sources (uses)	<u>(611,176)</u>	<u>300,034</u>	<u>290,276</u>	<u>325,000</u>	<u>-</u>	<u>78,671</u>	<u>382,805</u>
NET CHANGE IN FUND BALANCES	929,820	1,313,712	(500,716)	124,181	84,096	127,745	2,078,838
FUND BALANCES, BEGINNING	<u>8,619,408</u>	<u>4,454,354</u>	<u>3,699,248</u>	<u>135,088</u>	<u>857,277</u>	<u>3,400,311</u>	<u>21,165,686</u>
FUND BALANCES, ENDING	<u>9,549,228</u>	<u>5,768,066</u>	<u>3,198,532</u>	<u>259,269</u>	<u>941,373</u>	<u>3,528,056</u>	<u>23,244,524</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Reconciliation of Revenues, Expenditures and Change in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Governmental Funds Change in Fund Balances	2,078,838
<i>Add:</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays reported as expenditures in the governmental funds.	1,211,480
Debt principal payments result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these payments as reductions against long-term liabilities.	39,433,877
An internal service fund is used by the District's management to charge the cost of employee health and dental insurance to the individual funds. The net revenue of these funds is reported with the governmental activities in the Statement of Activities.	(738,495)
Amortization of deferred costs such as premium and discounts on bonds payable and deferred charges from refunding and changes in accrued interest have no impact on current available resources but do change government-wide net position.	(567,493)
<i>Less:</i>	
The District has sold assets which are shown at their sales price on governmental funds but are shown as gain or loss on the sale of assets based upon sale price less asset's book value.	(10,968)
Deferred property tax revenues do not provide current financial resources and are deferred on the governmental fund financial statements but recognized on the government-wide financial statements. This is the change in the deferred property tax recognized in the Statement of Activities.	(30,120)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense reported as an expenditure in the governmental activities' functions.	(1,811,135)
Contribution of governmental capital assets to Marble Charter School	
Debt proceeds represent an increase in current available resources in the fund financial statements. These proceeds represent an increase in liabilities on the government wide financial statements. This represents the total debt proceeds issued during the year.	(37,353,671)
The difference between employer contributions to the pension plan and the change in pension liability and amortization of pension related deferrals do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	8,541,707
Changes in the District's net post-employment health benefits obligation reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in District's net post-employment health benefits obligation during the year, including differences between District contributions to the plan and amortization of post-employment health benefits related deferrals.	96,989
Governmental Activities Change in Net Position	10,851,009

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Statement of Net Position
Proprietary Funds
June 30, 2021

	Governmental Activities Internal Service Fund
ASSETS	
Current assets:	
Cash and investments	1,464,793
Accounts receivable, net:	
Other	9,315
Total current assets	<u>1,474,108</u>
LIABILITIES	
Current liabilities:	
Other current liabilities	<u>238,333</u>
Total current liabilities	<u>238,333</u>
NET POSITION	
Unrestricted	<u>1,235,775</u>
Total net position	<u><u>1,235,775</u></u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Stop loss reimbursement	306,007
Other income	670
Total operating revenues	<u>306,677</u>
OPERATING EXPENSES	
Claims losses	457,059
Stop loss premiums and fees	588,113
Total operating expenses	<u>1,045,172</u>
CHANGE IN NET POSITION	(738,495)
TOTAL NET POSITION, BEGINNING	<u>1,974,270</u>
TOTAL NET POSITION, ENDING	<u><u>1,235,775</u></u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from charges for services	2,662,414
Other cash receipts	306,676
Payments to vendors	(3,662,116)
Net cash provided (used) by operating activities	<u>(693,026)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(693,026)
Cash and Cash Equivalents, Beginning	<u>2,157,819</u>
Cash and Cash Equivalents, Ending	<u><u>1,464,793</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	<u>(738,495)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities related to operations:	
(Increase) decrease in accounts receivable	(7,406)
Increase (decrease) in accounts payable	52,875
Total adjustments	<u>45,469</u>
Net cash provided (used) by operating activities	<u><u>(693,026)</u></u>

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

Gunnison Watershed School District RE-1J

Notes to the Financial Statements



Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021

I. Summary of Significant Accounting Policies

Gunnison Watershed School District RE-1J (the "District") includes portions of both Gunnison and Saguache Counties. The District provides academic and vocational curriculum, student transportation, food services, athletic and cultural extracurricular activities, maintenance and general administrative services. The District operates the following schools:

Elementary Schools Gunnison Elementary Crested Butte Elementary	Middle Schools Gunnison Middle School	High School Gunnison High School
Preschool & Kindergarten Lake School	Community School Crested Butte Secondary School	Charter School Marble Charter School

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The District operates under an elected District Board of Education comprised of five members. As required by GAAP, the financial statements of the reporting entity include those of the District and its component units, entities for which the District is considered financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint the voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the District. Consideration is also given to organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the above criteria, the District has identified one discretely presented component unit.

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding sources. However, the District is not included in any other governmental reporting entity.

Discretely Presented Component Units – Marble Charter School

The State of Colorado Legislature in 1993 enacted the "Charter School Act – Colorado Revised Statutes (CRS) Section 22-30-101." This Act permits the District to contract with individuals and organizations for the operation of schools within the District. The statutes define these contracted schools as "Charter Schools." Charter Schools are financed from a portion of the District's School Finance Act Revenues and from revenues generated by the Charter Schools, within the limits established by the Charter School Act. Charter Schools have separate governing boards; however, the District must approve all Charter School applications and budgets. Therefore, the Marble Charter School is included in the District's reporting entity because of the nature and significance of their operational or financial relationships with the District.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Complete financial statements can be obtained by contacting Marble Charter School, 418 West Main Street, Marble, Colorado 81623.

In 1995, the District approved a charter application through a resolution, allowing for the creation of the Marble Charter School ("Marble"). Marble is located in Marble, Colorado and provides educational services for grades kindergarten through seventh. Marble received an allocation of \$472,405 from the District for operations in the fiscal year ended June 30, 2021.

B. District-wide and Fund Financial Statements

The District's basic financial statements include both District-wide (financial activities of the overall District, except for fiduciary activities) and fund financial statements (reporting the District's major and non-major funds). The District-wide financial statements categorize primary activities as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

1. District-wide Financial Statements

In the District-wide Statement of Net Position, the governmental columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The District-wide Statement of Activities reports both the gross and net cost of the District's functions and business-type activities (i.e., food service). The governmental functions are also supported by general government revenues (property taxes, specific ownership taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function) are normally covered by general revenues. As a general rule, the effect of interfund activity has been removed from these statements.

The District-wide focus is on the sustainability of the District as an entity and the change in the District's Net Position resulting from the current year's activities.

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. District-wide and Fund Financial Statements (continued)

2. Fund Financial Statements (continued)

The District reports the following major governmental funds:

General Fund – The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Debt Service Fund – The *Debt Service Fund (Bond Redemption Fund)* accounts for transactions related to the District's general obligation bonds and interest.

Capital Project Fund – The *Capital Reserve Capital Projects Fund* accounts for transactions related to the District's acquisitions and construction of capital facilities and other capital assets.

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt or capital projects. The term "proceeds of specific revenue sources" establishes that one of more specific restricted or committed revenues should be the foundation for a special revenue fund. The District reports the following major special revenue funds:

The *Food Services Fund* accounts for the activities of the District's school breakfast and lunch programs.

The *Pupil Activity Fund* accounts for student clubs and other organizations.

The *2014 Mill Levy Override Fund* accounts for transactions related to future curriculum purchases and capital investments.

The District reports the following internal service fund:

The *Self Insurance Fund (Health Services Fund)* accounts for the employee's health and dental benefits provided to other departments or funds of the District on a cost reimbursement basis.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

1. Long-term Economic Focus and Accrual Basis

Both the governmental and proprietary funds in the district-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

2. Current Financial Focus and Modified Accrual Basis

The District's governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, net pension liability, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Presentation

Amounts reported as program revenues include 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges to customers for sales. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less.

2. Investments

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy permits investments in the following type of obligations which corresponds with state statutes:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Corporate Bonds (maximum maturity of 36 months)
- Prime Commercial Paper (maximum maturity of 9 months)
- Eligible Bankers Acceptances
- Repurchase Agreements
- General Obligations and Revenue Obligations
- Local Government Investment Pools
- Money Market Mutual Funds

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts.

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable. Property tax receivables that are considered to be available (i.e. sixty days after year-end) are reported on the governmental fund financial statements. Property tax receivables that are not considered available (i.e. long term) are reported on the government wide Statement of Net Position.

5. Inventory

Inventories recorded in the *Food Services Fund* consist of purchased and donated commodities. Purchased inventories are valued at cost, while donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt using the first-in, first-out method.

6. Interfund Receivables and Payables

Balances at year-end between funds are reported as "due from / due to other funds" in the fund financial statements. Any residual balances not eliminated between the governmental and business-type activities are reported as "internal balances" in the district-wide financial statements.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Capital Assets

Capital assets, which include land, land improvements, construction in progress, buildings and improvements, equipment, and vehicles, are reported in the proprietary fund financial statements and the applicable governmental columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital outlay for projects is capitalized as projects are constructed. The District does not capitalize interest on the construction of capital assets.

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

Assets	Years
Buildings and improvements	50
Furniture and fixtures	20
Equipment	7
Kitchen equipment	20
Vehicles	10

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Pensions

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2021.

9. Defined Benefit Other Post Employment Benefit (OPEB) Plan

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

10. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has three items that qualify for reporting under this category on the Statement of Net Position. One item is deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Other items are the collective deferred outflows of resources related to the District's net pension obligation and other post-employment benefit obligations ("OPEB"). Pension and OPEB contributions made after the measurement date, and the net difference between projected and actual earnings will be recognized as a reduction of the net pension or OPEB liability in future periods.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

10. Deferred Outflows and Inflows of Resources (continued)

Deferred inflows of resources represent an acquisition of net position that apply to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. Deferred revenue reported in the governmental balance sheet is deferred and recognized as an inflow of resources in the period that the amounts become available. Collective deferred inflows related to the District's net pension obligation and other post-employment benefits obligations are reported on the Statement of Net Position and are amortized over the average service lives of participants. See Note III (G) below for discussion on pension related deferred outflows and inflows.

11. Compensated Absences

Annual leave begins accruing on the first day of employment and accrues at the rate of eleven (11) days per year for non-classified staff and one (1) day per month for classified staff. Any unused vacation leave is paid out upon termination.

Non-Classified District employees with seventy-five (75) days of accumulated annual leave may request reimbursement of up to six (6) days of unused annual leave each year at \$50 per day. Retiring Non-Classified District employees with twenty (20) or more years of employment with the District can apply to be paid for up to one-hundred (100) days of accumulated annual leave at \$50 per day.

Vacation Leave – Classified year-round District employees may accrue unused vacation leave at their current daily rate. In addition, District employees are paid for accumulated vacation at their current daily rate upon termination.

Vested or accumulated leave that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the governmental activities column in the District-wide financial statements. Vested or accumulated leave of the proprietary fund type is recorded as an expense and a liability of that fund as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights.

12. Long-term Obligations

In the district-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount and deferred refunding costs. Bond premiums, discounts, and deferred refunding costs are amortized over the life of the bonds based on interest payments.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

12. Long-term Obligations (continued)

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

13. Fund Equity

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint such as external versus internal compliance requirements.

Unassigned fund balance is a residual classification within the *General Fund*. The *General Fund* should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

14. Interfund Transactions

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

E. Significant Accounting Policies

1. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

2. Credit Risk

The receivables of the various funds of the District are primarily due from other governments. Management believes that the credit risk related to the receivables is minimal.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Significant Accounting Policies (continued)

3. Fund Balance Policy

The District has adopted minimum fund policy for the General Fund. The policy requires a minimum fund balance of at least 15% of the estimated General Fund expenditures.

II. Stewardship, Compliance, and Accountability

A. Bond Trustee

Colorado state statutes require all property taxes levied for the purpose of satisfying bonded indebtedness to be administered by at least one third party custodian designated by the District. The third party custodian is required to ensure all taxes levied to satisfy the obligations of bonded indebtedness are used accordingly. The District has entered into a custody agreement with Gunnison County, Colorado in order to meet this requirement.

B. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. On or about December 1, the Superintendent submits to the Board of Education a five-year financial projection. This is the basis for budgeting guidelines established by the Board of Education.
- b. By May 31st, the Superintendent submits to the Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them.
- c. Public hearings are conducted at a regular Board of Education meeting to obtain taxpayer comment.
- d. Prior to June 30, the budget is legally adopted by the Board of Education.
- e. Formal budgetary integration is employed as a management control device during the year for all funds.
- f. The District issues a separate budget document after the budget is approved by the Board of Education.

Colorado Budget Law requires that all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. Where applicable, the Board of Education includes available fund balance in the amount appropriated in the annual Appropriations Resolution.

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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

B. Budgetary Information (continued)

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 except they exclude appropriated available fund balance. Individual amendments were not material in relation to the original appropriations.

During the year supplemental appropriation ordinances were approved for the following funds:

Fund	Original Appropriation	Final Appropriation	Change
General Fund	\$ 22,526,202	\$ 23,721,357	\$ 1,195,155
Food Service Fund	946,891	1,023,687	76,796
Pupil Activity Fund	1,360,846	1,625,099	264,253
2014 Mill Levy Override Fund	2,485,476	2,582,043	96,567
Capital Reserve Capital			
Projects Fund	943,324	2,506,085	1,562,761
Health Services Fund	2,817,813	3,668,649	850,836

During the year, the District's Debt Service Fund and Health Services Fund expenditures exceeded appropriations. This may be a violation of Colorado State Statute.

C. TABOR Amendment

In November 1992, Colorado voters amended 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 that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

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 3% or more of fiscal year spending. The District has reserved \$816,919 of its June 30, 2021 fund balances for this purpose.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

C. TABOR Amendment (continued)

In 1997, the District's electorate approved the following ballot question: *"Without increasing any tax rates or imposing any new tax shall Gunnison Watershed School District RE-J1 be authorized to collect, keep and expend all District revenues received in fiscal year 1998 and each year thereafter without regard to any spending, revenue raising or other limitation in Article X, Section 20 of the Colorado Constitution or other laws of the state?"*.

The District believes it is in compliance with the requirements of the TABOR Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

III. Detailed Notes on All Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances for accounts over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$26,011,457 at year end.

Fair Value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At June 30, 2021, the District has the following recurring value measurements:

Investments Measured at Net Asset Value	Total
COLOTRUST	\$ 20,312,975

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The District is governed by the deposit and investment limitations of state law. Unrealized gains / losses were \$0, which reflects the change in fair market value of investments. The deposits and investment balances at June 30, 2021, are as follows:

Type:	Standard & Poor's Rating	Balance	Maturities	
			Less Than One Year	One to Five Years
<i>Deposits:</i>				
Petty Cash	Not rated	\$ 325	\$ 325	\$ -
Checking accounts	Not rated	5,614,585	5,614,585	-
Cash with fiscal agent	Not rated	23,402	23,402	-
<i>Investments:</i>				
Investment pool	AAAm	20,312,975	20,312,975	-
		<u>\$ 25,951,287</u>	<u>\$ 25,951,287</u>	<u>\$ -</u>

At June 30, 2021, the District was invested in the Colorado Government Liquid Asset Trust ("COLOTRUST"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating COLOTRUST. The pool operates in conformity with the Securities and Exchange Commission's Rule 2a-7 with each share equal in value to \$1.00.

Investments of COLOTRUST are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Interest Rate Risk. The District limits investments maturities as required by state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates. State statutes require the District to limit maturities to five years from the date of purchase. Maturities of investments held at June 30, 2021, are provided in the previous schedule. The District coordinates its investment maturities to closely match cash flow needs.

Credit Risk. State law specifies instruments in which local governments may invest including obligations of the United States, certain U.S. governmental agency securities, local government investment pools, and commercial paper among other items. The District's general investment policy is to invest surplus funds in accordance with state law to ensure the preservation of capital, to ensure that adequate funds are available at all times to meet the financial obligations of the District when due, and to realize rates of return on invested funds which are comparable to market levels.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. The District places no limit on the amount it may invest in any one issuer.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

B. Receivables

Receivables as of year-end for the District's major and non-major funds, including applicable allowances for uncollectible accounts are as follows:

	General Fund	Bond Redemption Fund	Food Services Fund	Pupil Activity Funds	2014 Mill Levy Override Fund	Total Governmental Funds
Receivables:						
Taxes	\$ 487,680	\$ 204,219	\$ -	\$ -	\$ 102,078	\$ 793,977
Accounts	-	-	-	262	-	262
Other	621,440	-	211,026	-	-	832,466
Gross receivables	1,109,120	204,219	211,026	262	102,078	1,626,705
Less: allowance for uncollectible	-	-	-	-	-	-
Net Receivables	\$ 1,109,120	\$ 204,219	\$ 211,026	\$ 262	\$ 102,078	\$ 1,626,705

Governmental funds report property tax receivable for property taxes levied in fiscal year 2021 but not available until 2022.

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Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,866,151	\$ -	\$ -	\$ 2,866,151
Construction in progress	-	795,806	-	795,806
Total capital assets, not being depreciated	2,866,151	795,806	-	3,661,957
Capital assets, being depreciated:				
Buildings and improvements	77,034,974	55,393	-	77,090,367
Equipment	2,006,577	198,155	(25,593)	2,179,139
Vehicles	2,866,951	162,126	(239,001)	2,790,076
Total capital assets being depreciated	81,908,502	415,674	(264,594)	82,059,582
Total capital assets - Cost	84,774,653	1,211,480	(264,594)	85,721,539
Less accumulated depreciation:				
Buildings and improvements	(23,599,207)	(1,481,376)	-	(25,080,583)
Equipment	(1,011,304)	(142,182)	14,625	(1,138,861)
Vehicles	(1,920,405)	(187,577)	239,001	(1,868,981)
Total accumulated depreciation	(26,530,916)	(1,811,135)	253,626	(28,088,425)
Governmental activities capital assets, net	\$ 58,243,737	\$ (599,655)	\$ (10,968)	\$ 57,633,114

The District had \$5,063,267 of fully depreciated capital assets still in service at June 30, 2021.

The District had the following capital outlay and depreciation expense for the following functions:

	Capital Outlay	Depreciation Expense
Governmental activities:		
Direct instruction	\$ 851,200	\$ 1,444,468
General administration	-	9,038
Support services	24,463	52,582
Custodial and maintenance	154,532	60,291
Transportation	162,126	215,447
Food services	19,159	29,309
Total - governmental activities	\$ 1,211,480	\$ 1,811,135

Differences between capital outlay expenditures and capital asset additions relate to expenditures that are less than the District's \$5,000 capitalization threshold.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2021, was as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General	\$ 7,074	\$ (1,271)
Pupil Activity	1,271	(6,683)
2014 Mill Levy Override	-	(391)
	<u>\$ 8,345</u>	<u>\$ (8,345)</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers for fiscal year 2021 were as follows:

<u>Transfer In (Out)</u>	<u>Amount</u>	<u>Transfer Purpose</u>
General Fund	\$ (615,276)	To fund operations in other funds.
Food Services Fund	325,000	Funding from the General Fund.
Capital Reserve Capital Projects Fund	290,276	Funding from the General Fund.
Total	<u>\$ -</u>	

E. Long-term Debt – Governmental Activities

1. General Obligation Refunding Bonds, Series 2014

On October 9, 2014, the District issued \$49,355,000 of General Obligation Refunding Bonds, Series 2014 for the purpose of improving, remodeling and repairing District facilities and provide for other capital improvement projects. Principal and interest payments are due semi-annually on June 1st and December 1st, through 2033. Interest accrues at 1% to 5% per annum.

Bonds maturing on or before December 1, 2024, are not subject to redemption prior to maturity. Bonds maturing on and after December 31, 2025, are subject to optional redemption prior to maturity at the option of the District at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

The reacquisition price exceeds net carrying amount of the old debt by \$7,667,420. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt – Governmental Activities (continued)

2. General Obligation Refunding Bonds, Series 2021

On March 11, 2021, the District issued General Obligation Refunding Bonds, Series 2021. The bonds were issued in the amount of \$37,275,000 and the proceeds were used to partially refund the General Obligation Refunding Bonds, Series 2014. The bonds were issued in denominations of \$5,000 and bear interest rates ranging from 0.165% to 2.18%. The bonds maturing on and before December 1, 2031 are not subject to early redemption prior to their respective maturity dates. The bonds maturing on and after December 1, 2032 are subject to redemption prior to maturity, at the option of the District, in whole or in part, in integral multiples of \$5,000. The debt matures in 2033.

The reacquisition price exceeds net carrying amount of the old debt by \$3,715,302. This amount is being netted against the new debt and amortized over the life of the refunded debt.

3. Defeasance of Debt

In October 2014, proceeds of the General Obligation Bonds, Series 2014, were used to purchase U.S. government securities to retire General Obligation Bonds, Series 2008 and 2009. Sufficient U.S. government, state and local government securities were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered defeased and the liability has been removed from the District's financial statements. The amount of the debt considered defeased cannot be readily determined as of June 30, 2021.

In March 2021, proceeds of the General Obligation Bonds, Series 2021, were used to purchase U.S. government securities to partially retire the General Obligation Bonds, Series 2014. Proceeds were placed in an escrow account; the moneys in the escrow account will be used to acquire direct, nonmalleable general obligation of the U.S. government, which will be sufficient to pay for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered defeased and the liability has been removed from the District's financial statements. The Series 2014 Bonds maturing on December 1, 2021 through and including December 1, 2024, in the aggregate principal amount of \$10,535,000 are not part of this refunding. The amount of the debt considered defeased cannot be readily determined as of June 30, 2021.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt – Governmental Activities (continued)

4. Schedule of Future General Obligation Bond Payments

The District's aggregate annual debt service requirements for general obligation bond at June 30, 2021, are as follows:

Fiscal Year Ending	Debt	
	Total Principal	Total Interest
2022	\$ 3,480,000	\$ 1,009,809
2023	2,950,000	919,668
2024	3,045,000	800,424
2025	3,175,000	662,215
2026	3,320,000	576,290
2027 - 2031	19,455,000	2,136,453
2032 - 2036	12,385,000	398,549
Total	<u>\$ 47,810,000</u>	<u>\$ 6,503,408</u>
Add: Unamortized bond premium	1,290,000	
Total bonded debt	<u>\$ 49,100,000</u>	

5. Capital Lease Payable

The Company leases certain machinery and equipment under agreements that are classified as capital leases. The cost of equipment under capital leases is included in the Statement of Net Position as capital assets and was \$78,671 at June 30, 2021. Accumulated amortization of the leased equipment at June 30, 2021 was approximately \$19,668. Amortization of assets under capital leases is included in depreciation expense.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of June 30, 2021, are as follows:

Fiscal Year Ending:	Amount
2022	\$ 23,943
2023	23,943
2024	23,943
2025	3,993
Total minimum lease payments	<u>75,822</u>
Less: interest	<u>(11,061)</u>
Capital lease obligation	<u>\$ 64,761</u>

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt – Governmental Activities (continued)

6. Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
Refunding, Series 2014	\$ 45,060,000	\$ -	\$ (34,525,000)	\$ 10,535,000	\$ 2,495,000
Unamortized bond premiums/discounts	4,515,001	-	(3,225,001)	1,290,000	-
Refunding, Series 2021	-	37,275,000	-	37,275,000	985,000
Capital leases	-	78,671	(13,910)	64,761	18,291
Net Pension Liability	32,177,124	5,447,116	-	37,624,240	-
Net OPEB Liability	1,582,107	-	(214,489)	1,367,618	-
Accrued compensated absences	220,426	-	-	220,426	55,107
Total Governmental Activities	\$ 83,554,658	\$ 42,800,787	\$ (37,978,400)	\$ 88,377,045	\$ 3,553,398

For governmental activities, compensated absences are liquidated by the General Fund.

F. Fund Balance Classifications

The District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, long-term portions of loans receivable, etc.

Spendable Fund Balance:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the School Board of the District. The District's original budget legislation begins with combining historical data, assessment of needs for the upcoming year and the District's platform to review, and/or make changes to each department's budget. The budget is formally presented to the School Board of the District via an advertised public process for their review, revisions and final approval by year-end. All subsequent budget requests made during the year, after School Board approval, must be presented via a public process and again approved by the School Board of the District. The District has committed \$3,267,674 for future year's expenditures, \$252,114 for food service, \$3,520,672 for educational purposes, and \$941,373 for student activities as of June 30, 2021.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

F. Fund Balance Classifications (continued)

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board of the District or its management designees.

Unassigned – includes residual positive fund balance within the General Fund, which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes. The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit this, such as grant agreements that require dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts when expenditures are made. The District does not have an adopted minimum fund balance policy; however, the District's budget includes calculations of targeted reserve positions, which is reported annually to the School Board of the District.

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

Plan Description: Eligible employees of the District are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 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, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Contribution 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 10.00 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. § 24-51-414, the State is required to contribute \$225 million (actual dollars) each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. 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 \$2,687,614 for the year ended June 30, 2021.

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 non-employer contributing entity.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the non-employer 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 non-employer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the District reported a liability of \$37,624,240 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a non-employer 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 non-employer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$37,624,240
The State's proportionate share of the net pension liability as a non-employer contributing entity associated with the District	-
Total	<u>\$37,624,240</u>

At December 31, 2020, the District's proportion was 0.2489%, which was an increase of 0.0335% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension revenue of \$8,541,707 and revenue of \$0 for support from the State as a non-employer contributing entity. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,067,250	\$ -
Net difference between projected and actual earnings on pension plan investments	-	8,281,920
Changes in actuarial assumptions	3,619,328	6,324,197
Changes in proportionate share of contributions	5,780,515	1,090,352
Contributions subsequent to the measurement date	1,433,739	-
	<u>\$ 12,900,832</u>	<u>\$ 15,696,469</u>

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$1,433,739 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$	(5,166,779)
2023		2,819,576
2024		(575,778)
2025		(1,306,395)
	<u>\$</u>	<u>(4,229,376)</u>

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 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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.

The mortality assumption for disabled retirees 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 periods January 1, 2012, through December 31, 2015, as well as, the October 28, 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, 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

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.

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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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 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 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 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 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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 asset class are summarized in the table as follows:

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

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

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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

- 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 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, as a non-employer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 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 FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 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 index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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%)
Collective net pension liability	\$ 20,622,167,000	\$ 15,117,983,000	\$ 10,531,184,000
Proportionate share of net pension liability	\$ 51,322,544	\$ 37,624,240	\$ 26,209,038

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

H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources

Plan description. Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained 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 relates to the total member contribution account balance from which the retirement benefit is paid.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

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

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

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

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

DPS Benefit Structure. 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 service-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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

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 \$139,649 for the year ended June 30, 2021.

At June 30, 2021, the District reported a liability of \$1,367,618 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 contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the District proportion was 0.1439%, which was an increase of 0.0032% from its proportion measured as of December 31, 2019.

Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2021, the District recognized OPEB revenue of \$96,989. At June 30, 2021, 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 expenses and actual experience	3,631	300,709
Changes in actuarial assumptions	10,221	83,861
Changes in proportionate share of contributions	82,191	15,137
Net difference between projected and actual earnings on plan investments	-	55,886
Contributions subsequent to measurement date	73,562	-
	<u>169,605</u>	<u>455,593</u>

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

\$73,562 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amortization
2022	(86,907)
2023	(79,089)
2024	(82,765)
2025	(80,297)
2026	(28,634)
Thereafter	(1,858)
	(359,550)

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% in 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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

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

Year	PERACare	Medicare Part
	Medicare Plans	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 used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

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.

The mortality assumption for disabled retirees 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 28, 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

¹ C.R.S. § 24-51-101 (46), as amended, expanded the definition of "State Troopers" to include certain employees within the 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

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 Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

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

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(A) Above-Median Employee Table with generational projection using scale MP-2019.

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

- **Males:** 94 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

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 the 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.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

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 asset class are summarized in the table as follows:

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

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

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal 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%
Collective Net OPEB Liability	\$ 925,665,000	\$ 950,225,000	\$ 978,816,000
Proportionate Share of Net OPEB Liability	\$ 1,332,270	\$ 1,367,618	\$ 1,408,767

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

III. Detailed Notes on All Funds (continued)

H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 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 3.00 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Collective Net OPEB Liability	\$ 1,088,500,000	\$ 950,225,000	\$ 832,080,000
Proportionate Share of Net OPEB Liability	\$ 1,566,631	\$ 1,367,618	\$ 1,197,577

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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

IV. Other Information

A. Defined Contribution Pension Plan

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

Funding Policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not currently match employee contributions to the Voluntary Investment Program; the District has one employee which was grandfathered in under the previous policy, which was for the District to contribute \$176 per month into an employee's retirement account. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2021, program members contributed \$57,787 and the District recognized pension expense and a liability of \$2,112 and \$2,112, respectively, for the Voluntary Investment Program.

B. 403(b) Defined Contribution Pension Plan

Plan Description. The District offers participation in an independent 403(b) retirement savings plan. All employees are eligible except student teachers. Contribution limits are set by the IRS. The District contracts with American Fidelity Insurance Company ("AFPlanServ") as Plan Administrator. The District makes minimal contributions to the plan for a limited segment of grandfathered employees.

C. 457(b) Deferred Compensation Plan

Plan Description. The District has a deferred compensation plan created in accordance with IRC Section 457 for employees working 30 hours or more per week. This plan is administered by Waddell & Reed. Participation in the plan is optional. Contribution limits are set by the IRS. The District makes minimal contributions to the plan for limited segment of grandfathered employees.

D. Risk Management

Risk of Loss: The District is exposed to various risks of loss related to workers' compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and error and omissions. The District carries commercial coverage for these risks and claims and does not expect claims to exceed their coverage. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

Pupil Counts: Each year the District submits data regarding pupil counts to the Colorado Department of Education (CDE). The purpose of this data collection is to obtain required student level data as provided for by state statute(s), including information regarding students' funding eligibility as outlined in the Public School Finance Act of 1994 (22-54-101, C.R.S.).

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

IV. Other Information (continued)

D. Risk Management (continued)

The Student October Count is based on a one (1) day membership count in which districts are asked to report all students who are actively enrolled and attending classes through their district on that date. In an effort to ensure accurate reporting of those data fields associated with student funding, CDE conducts periodic compliance audits of each district's student October count data. This data not only determine per pupil funding, but also at risk and English Language Proficiency Act (ELPA) funding. CDE audits districts every one to four years, the frequency of which is determined by a number of factors including, but not limited to, the size and location of the district, as well as issues or concerns that might have arisen from prior audits.

The District believes its pupil count information is accurate and any adjustment would not be material.

Self-Insurance Fund: The District also offers health insurance to certain employees through the District's self-funded health plan with excess coverage underwritten by a commercial carrier. The District accumulates resources to pay health insurance costs but carries a stop loss policy for individuals for \$75,000 and an aggregate stop loss minimum exposure of \$3,221,004. Liabilities for retained risk claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported ("IBNR").

The following is a summary of the changes in the balances of claims liabilities during 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Unpaid claims, beginning	\$ 185,458	\$ 401,778
New claims incurred	3,767,868	2,595,496
Claim payments	(3,714,993)	(2,811,816)
Unpaid claims, ending	<u>\$ 238,333</u>	<u>\$ 185,458</u>

E. Contingencies

1. Legal Claims

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at June 30, 2021.

2. Federal Programs

Funds received from Federal grants are subject to audit and disallowance of ineligible cost. Management of the District feels any potential questioned or disallowed costs or liability arising from the Federal program audits would not materially affect the fairness of the presentation of the financial statements at June 30, 2021.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2021
(Continued)

IV. Other Information (continued)

E. Contingencies (continued)

3. State Programs

The District receives payment for State equalization, State transportation and various other State revenues to fund programs. These grants and programs are subject to audit and may result in the District either refunding amounts due for overpayment or receiving additional revenue for underpayment by the State.

These adjustments can be material. The amount of these adjustments cannot be estimated or determined as of the date of these financial statements.

F. Colorado Department of Education Financing – Interest Free Loan Program

The Colorado Department of Education allows school districts to borrow funds up to the next year's estimated property tax collections for the specific district to cover operating expenditures. The program was established to assist districts who receive the majority of their program funding through local property taxes. Most property tax revenues are not received by school districts until the last four months of the fiscal year resulting in a cash flow deficit. The loans are repaid to the State as property taxes are collected.

In the fiscal year 2021, the District did not obtain any financing from the State of Colorado in order to meet the District's obligations.

G. Intergovernmental Agreement with the Town of Crested Butte

On September 17, 2019 the District entered into an intergovernmental agreement with the Town of Crested Butte. The parties agreed upon terms and conditions for the ongoing maintenance and coordinated joint use of School Facilities, Town Facilities, and the School Parking Lot, as defined in the agreement. The term of the agreement is ten years, with a joint review of the terms of the agreement by both parties every five years.

H. Comparative Information

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. Accordingly, such information should be read in conjunction with the District's financial statements for the fiscal year ended June 30, 2020, from which the amounts were derived.

Gunnison Watershed School District RE-1J

Required Supplementary Information



Gunnison Watershed School District RE-1J
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for 2020)

	2021			2020
	Budgeted Amounts		Variance with	Actual
	Original	Final	Final Budget- Positive (Negative)	Amounts
REVENUES				
Taxes:				
Property taxes levied for general purposes	11,232,278	11,277,938	11,230,411	11,042,692
Specific ownership taxes	1,193,843	1,193,843	1,356,014	1,249,905
Federal income	2,569,956	3,368,617	2,958,494	1,663,755
State income	6,714,617	6,818,826	7,260,608	8,238,327
Investment income	175,000	30,000	44,510	176,746
Other	330,890	624,416	404,404	490,480
Total revenues	22,216,584	23,313,640	23,254,441	22,861,905
EXPENDITURES				
Direct instruction	18,382,653	13,322,721	13,019,957	13,007,997
Indirect instruction	347,497	2,548,817	2,293,630	1,864,568
General administration	375,000	2,429,118	2,350,462	2,046,789
Support services	722,670	1,396,772	867,458	741,077
Custodial and maintenance	1,429,688	1,905,690	1,822,867	1,704,369
Transportation	144,173	786,466	776,296	800,600
Community service	1,000	1,000	382	4,614
Capital outlay	691,715	624,348	577,393	416,263
Food service	2	5,002	5,000	-
Total expenditures	22,094,398	23,019,934	21,713,445	20,586,277
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	122,186	293,706	1,540,996	2,275,628
OTHER FINANCING SOURCES (USES)				
Sale of fixed assets	-	-	4,100	400
Transfers in (out)	(431,804)	(701,423)	(615,276)	(1,120,959)
Total other financing sources (uses)	(431,804)	(701,423)	(611,176)	(1,120,559)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	(309,618)	(407,717)	929,820	1,155,069
Reconciliation to GAAP Basis:				
Pension direct distribution - Special funding			-	309,116
Pension expense - Special funding			-	(309,116)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses) - GAAP Basis			929,820	1,155,069
NET CHANGE IN FUND BALANCES	(309,618)	(407,717)	929,820	1,155,069
FUNDS BALANCES, BEGINNING			8,619,408	7,464,339
FUND BALANCES, ENDING			9,549,228	8,619,408

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Food Services Fund
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for 2020)

	2021			2020
	Budgeted Amounts		Variance with Final Budget-Positive (Negative)	Actual Amounts
	Original	Final	Actual Amounts	
REVENUES				
Food sales	289,700	10,725	23,649	229,380
Federal aid:				
Federal government meal reimbursement	178,000	34,132	244,043	372,283
USDA Commodity contribution	30,587	30,883	33,037	32,423
Other	10,000	530,000	508,203	3,984
State reimbursement	6,800	6,800	3,925	13,375
Total revenues	<u>515,087</u>	<u>612,540</u>	<u>812,857</u>	<u>651,445</u>
EXPENDITURES				
Salaries and employee benefits	616,504	616,504	601,735	595,892
Purchased services	4,500	4,500	384	164
Supplies	37,000	23,000	8,402	32,765
Food costs:				
Purchased food	288,887	379,683	370,118	331,237
Donated commodities	-	-	33,037	32,423
Total expenditures	<u>946,891</u>	<u>1,023,687</u>	<u>1,013,676</u>	<u>992,481</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(431,804)</u>	<u>(411,147)</u>	<u>(200,819)</u>	<u>(341,036)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>431,804</u>	<u>411,147</u>	<u>325,000</u>	<u>385,360</u>
Total other financing sources	<u>431,804</u>	<u>411,147</u>	<u>325,000</u>	<u>385,360</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>124,181</u>	<u>44,324</u>
TOTAL NET POSITION, BEGINNING			<u>135,088</u>	<u>90,764</u>
TOTAL NET POSITION, ENDING			<u>259,269</u>	<u>135,088</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Pupil Activity Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for 2020)

	2021			Variance with Final Budget- Positive (Negative)	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Charges for services	1,252,221	1,216,248	1,136,004	(80,244)	1,395,130
Total revenues	1,252,221	1,216,248	1,136,004	(80,244)	1,395,130
EXPENDITURES					
Student activities	1,343,746	1,584,231	1,037,905	546,326	1,138,535
Capital outlay	17,100	40,868	14,003	26,865	11,899
Total expenditures	1,360,846	1,625,099	1,051,908	573,191	1,150,434
NET CHANGE IN FUND BALANCES	(108,625)	(408,851)	84,096	492,947	244,696
FUND BALANCES, BEGINNING			857,277		612,581
FUND BALANCES, ENDING			941,373		857,277

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
2014 Mill Levy Override Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for 2020)

	2021			2020
	Budgeted Amounts		Variance with	
	Original	Final	Final Budget- Positive (Negative)	Actual Amounts
REVENUES				
Property taxes	2,500,000	2,500,000	3,723	2,459,324
Investment income	30,000	15,000	(5,047)	44,155
Total revenues	<u>2,530,000</u>	<u>2,515,000</u>	<u>(1,324)</u>	<u>2,503,479</u>
EXPENDITURES				
Direct instruction	977,901	980,090	82,595	735,772
Indirect instruction	841,842	854,441	90,235	878,314
Custodial and maintenance	73,500	67,500	2,615	15,841
General administration	34,469	34,469	7,489	26,343
Support services	76,264	76,264	(1,023)	75,516
Capital Outlay	481,500	569,279	(44,228)	397,642
Debt service:				
Principal	-	-	(13,911)	-
Interest and fiscal charges	-	-	(6,331)	-
Total expenditures	<u>2,485,476</u>	<u>2,582,043</u>	<u>117,441</u>	<u>2,129,428</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>44,524</u>	<u>(67,043)</u>	<u>116,117</u>	<u>374,051</u>
OTHER FINANCING SOURCES (USES)				
Lease purchase proceeds	-	-	78,671	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>78,671</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>44,524</u>	<u>(67,043)</u>	<u>194,788</u>	<u>374,051</u>
FUND BALANCES, BEGINNING			<u>3,400,311</u>	<u>3,026,260</u>
FUND BALANCES, ENDING			<u>3,528,056</u>	<u>3,400,311</u>

The accompanying notes are integral part of these financial statements.

Gunnison Watershed School District RE-1J
Schedule of District's Proportionate Share of the Net Pension Liability
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.2489%	0.2154%	0.2113%	0.2402%	0.2432%	0.2398%	0.2379%	0.2360%
District's proportionate share of the net pension liability	\$ 37,624,240	\$ 32,177,124	\$ 37,408,935	77,687,802	72,404,411	36,669,691	32,249,821	30,099,835
State's proportionate share of the net pension liability as a non-employer contributing entity associated with the District	-	3,621,871	4,499,859	-	-	-	-	-
Total proportionate share of the net pension liability associated with the District	<u>\$ 37,624,240</u>	<u>\$ 35,798,995</u>	<u>\$ 41,908,794</u>	<u>77,687,802</u>	<u>72,404,411</u>	<u>36,669,691</u>	<u>32,249,821</u>	<u>30,099,835</u>
District's covered payroll	\$ 13,309,454	\$ 12,656,288	\$ 11,905,784	11,397,079	10,283,176	10,626,994	10,182,916	9,743,123
District's proportionate share of the net pension liability as a percentage of its covered payroll	283%	254%	314%	682%	704%	345%	317%	309%
Plan fiduciary net position as a percentage of the total pension liability	66.99%	64.52%	57.01%	43.96%	43.13%	59.16%	62.84%	64.07%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2014.

The accompanying notes are integral part of these financial statements.

Gunnison Watershed School District RE-1J
Schedule of District Contributions
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,760,503	\$ 2,550,304	\$ 2,221,837	\$ 2,064,647	\$ 1,978,781	\$ 1,810,761	\$ 1,637,788	\$ 1,477,417
Contributions in relation to the contractually required contribution	<u>\$ (2,760,503)</u>	<u>\$ (2,550,304)</u>	<u>\$ (2,221,837)</u>	<u>\$ (2,064,647)</u>	<u>\$ (1,978,781)</u>	<u>\$ (1,810,761)</u>	<u>\$ (1,637,788)</u>	<u>\$ (1,477,417)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 13,885,830	\$ 13,159,471	\$ 11,618,689	\$ 11,065,582	\$ 10,914,402	\$ 10,448,271	\$ 9,968,243	\$ 9,513,310
Contributions as a percentage of covered payroll	19.88%	19.38%	19.12%	18.66%	18.13%	17.33%	16.43%	15.53%

* Information is only available beginning in fiscal year 2014.

The accompanying notes are integral part of these financial statements.

Gunnison Watershed School District RE-1J
Schedule of District's Proportionate Share of the Net OPEB Liability
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.1439%	0.1408%	0.1374%	0.1363%	0.1382%
District's proportionate share of the net OPEB liability	1,367,618	1,582,107	1,869,037	1,771,373	1,792,160
District's covered payroll	13,309,454	12,656,288	11,905,784	11,397,079	10,283,176
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	10%	13%	16%	16%	17%
Plan fiduciary net position as a percentage of the total OPEB liability	32.78%	24.49%	17.03%	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within fiscal year. Information is only available beginning in fiscal year 2017.

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

Gunnison Watershed School District RE-1J
Schedule of District OPEB Contributions
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	141,635	134,227	118,469	112,869	111,327
Contributions in relation to the contractually required contribution	<u>(141,635)</u>	<u>(134,227)</u>	<u>(118,469)</u>	<u>(112,869)</u>	<u>(111,327)</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll	13,885,830	13,159,471	11,618,689	11,065,582	10,914,402
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%

* Information is only available beginning in fiscal year 2017.

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

Gunnison Watershed School District RE-1J
Notes to Required Supplementary Information
June 30, 2021

I. Schedule of District's Proportionate Share of the Net Pension Liability

A. Changes to assumptions or other inputs

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on actuarial valuation as of the previous December 31. The District's contributions and related ratios represent cash contributions and any related accruals that coincide with the District's fiscal year ending on June 30.

1. Changes since the December 31, 2019 actuarial valuation:

- The price inflation assumption was lowered from 2.4 percent to 2.30 percent.
- The wage inflation assumption was lowered from 3.5 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the School and DPS Divisions was changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the School and DPS Divisions was changed to the PubT-2010 Healthy Retiree Table, adjusted as follow:
- 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.
- The post-retirement non-disabled beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2019 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.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to 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 head-count weighted basis.

2. Changes since the December 31, 2018 actuarial valuation:

- The assumption used to value the AI cap benefit provision was changed from 1.50 percent to 1.25 percent.

3. Changes since the December 31, 2017 actuarial valuation:

- The single equivalent interest rate ("SEIR") was increased from 4.78 percent to 7.25 percent to reflect the changes to the projection's valuation basis, which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.

Gunnison Watershed School District RE-1J
Notes to Required Supplementary Information
June 30, 2021
(Continued)

I. Schedule of District's Proportionate Share of the Net Pension Liability (continued)

A. Changes to assumptions or other inputs (continued)

4. Changes since the December 31, 2016 actuarial valuation:

- The single equivalent interest rate ("SEIR") was lowered from 5.26 percent to 4.78 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

5. Changes since the December 31, 2015 actuarial valuation:

- The investment return assumption was lowered from 7.50 percent to 7.25 percent
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent
- The post-retirement mortality assumption for healthy lives for the School and DPS Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, or males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to 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.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The single equivalent interest rate (the "SEIR") for the SCHDTF was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the fiduciary net position (the "FNP"), and the resulting application of the municipal bond index rate
- The SEIR for the DPS Division was lowered from 7.50 percent to 7.25 percent, reflecting the change in the long-term expected rate of return.

6. Changes Since the December 31, 2014 actuarial valuation:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18-month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- Recognition of merit salary increases in the first projection year.

Gunnison Watershed School District RE-1J
Notes to Required Supplementary Information
June 30, 2021
(Continued)

I. Schedule of School's Proportionate Share of the Net Pension Liability (continued)

A. Changes to assumptions or other inputs (continued)

6. Changes Since the December 31, 2014 actuarial valuation (continued):

- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

B. Changes of benefit terms.

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.

II. Notes to the Schedule of District Pension Contributions

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms.

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.

III. Schedule of District's Proportionate Share of the OPEB Liability

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit term

No changes during the years presented.

C. Changes of size or composition of population covered by terms

No changes during the years presented.

IV. Notes to the Schedule of District OPEB Contributions

A. Changes to assumptions or other inputs

1. Changes since the December 31, 2019 actuarial valuation:

Changes since the December 31, 2019 to the HCTF actuarial valuation are the same as the changes to the SCHDTF noted in Note I.A.1 above.

Gunnison Watershed School District RE-1J
Notes to Required Supplementary Information
June 30, 2021
(Continued)

IV. Notes to the Schedule of District OPEB Contributions (continued)

B. Changes of benefit terms.

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.

Gunnison Watershed School District RE-1J

Supplementary Information



GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Bond Redemption Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for 2020)

	2021			2020
	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget- Positive (Negative)	Actual Amounts
REVENUES				
Property taxes	4,900,000	4,992,410	92,410	4,969,610
Investment income	10,000	12,225	2,225	16,063
Total revenues	4,910,000	5,004,635	94,635	4,985,673
EXPENDITURES				
Debt service:				
Principal	2,445,000	2,445,000	-	2,355,000
Interest and fiscal charges	1,850,700	1,545,957	304,743	1,921,250
Total expenditures	4,295,700	3,990,957	304,743	4,276,250
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	614,300	1,013,678	399,378	709,423
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	37,275,000	37,275,000	-
Payment to refunded bond escrow agent	-	(36,974,966)	(36,974,966)	-
Total other financing sources	-	300,034	300,034	-
NET CHANGE IN FUND BALANCES	614,300	1,313,712	699,412	709,423
FUND BALANCES, BEGINNING		4,454,354		3,744,931
FUND BALANCES, ENDING		5,768,066		4,454,354

The accompanying notes are integral part of these financial statements.

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Capital Reserve Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for 2020)

	2021			2020
	Budgeted Amounts		Variance with Final Budget- Positive (Negative)	Actual Amounts
	Original	Final	Actual Amounts	
REVENUES				
Federal income	-	510,829	-	-
State income	-	493,292	-	-
Investment income	40,000	10,000	4,815	54,819
Other revenue	-	-	-	-
Total revenues	<u>40,000</u>	<u>1,014,121</u>	<u>4,815</u>	<u>54,819</u>
EXPENDITURES				
Facilities	943,324	2,285,256	795,807	909,434
Technology	-	220,829	-	-
Total expenditures	<u>943,324</u>	<u>2,506,085</u>	<u>795,807</u>	<u>909,434</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(903,324)</u>	<u>(1,491,964)</u>	<u>(790,992)</u>	<u>(854,615)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	290,276	290,276	735,599
Total other financing sources	<u>-</u>	<u>290,276</u>	<u>290,276</u>	<u>735,599</u>
NET CHANGE IN FUND BALANCES	<u>(903,324)</u>	<u>(1,201,688)</u>	<u>(500,716)</u>	<u>(119,016)</u>
FUND BALANCES, BEGINNING			<u>3,699,248</u>	<u>3,818,264</u>
FUND BALANCES, ENDING			<u>3,198,532</u>	<u>3,699,248</u>

The accompanying notes are integral part of these financial statements.

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Internal Service Fund
Health Services Fund
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)	Actual Amounts
	Original	Final			
REVENUES					
Insurance premiums	2,630,000	2,625,415	2,669,821	44,406	2,655,627
Stop loss reimbursements	-	260,000	306,007	46,007	256,342
Other revenue	-	700	670	(30)	521
Total revenues	2,630,000	2,886,115	2,976,498	90,383	2,912,490
EXPENDITURES					
Claim losses	2,247,300	3,093,136	3,126,880	(33,744)	2,253,823
Stop loss premiums and fees	570,513	575,513	588,113	(12,600)	557,993
Total expenditures	2,817,813	3,668,649	3,714,993	(46,344)	2,811,816
CHANGE IN NET POSITION	(187,813)	(782,534)	(738,495)	44,039	100,674
TOTAL NET POSITION, BEGINNING			1,974,270		1,873,596
TOTAL NET POSITION, ENDING			1,235,775		1,974,270

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



**Colorado Department of
Education**

Page: 1

Auditors Integrity Report

District: 1360 - Gunnison Watershed
RE1J

Fiscal Year 2020-21
Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	8,619,407	22,643,264	21,713,446	9,549,225
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	8,619,407	22,643,264	21,713,446	9,549,225
11 Charter School Fund	174,856	707,857	720,939	161,774
20,26-29 Special Revenue Fund	3,400,311	2,592,347	2,464,601	3,528,056
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	135,088	1,137,857	1,013,676	259,269
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	857,278	1,136,004	1,051,908	941,373
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	4,454,354	42,279,635	40,965,923	5,768,067
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	3,699,248	295,091	795,807	3,198,533
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	21,340,543	70,792,055	68,726,299	23,406,299
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	1,974,271	306,676	1,045,172	1,235,775
Totals	1,974,271	306,676	1,045,172	1,235,775
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

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

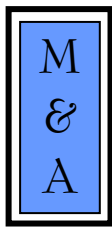
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Gunnison Watershed School District RE-1J

Single Audit Reports and Schedules





McMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

**To the Board of Education
Gunnison Watershed School District RE-1J
Gunnison, Colorado**

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gunnison Watershed School District RE-1J (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 December 21, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Member: American Institute of Certified Public Accountants

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MICHAEL N. JENKINS, CA, CPA, CGMA
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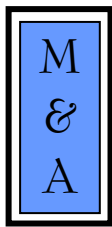
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INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Gunnison Watershed School District RE-1J
Gunnison, Colorado

Purpose of this Report

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

McMahan and Associates, L.L.C.
McMahan and Associates, L.L.C.
December 21, 2021



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

**To the Board of Education
Gunnison Watershed School District RE-1J
Gunnison, Colorado**

Report on Compliance for Each Major Program

We have audited the compliance of the Gunnison Watershed School District RE-1J (the "District") 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 Responsibilities

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibilities

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based in our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and 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 on the District's compliance with those requirements.

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.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Gunnison Watershed School District RE-1J
Gunnison, Colorado

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, 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 our 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 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the 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.

Purpose of this Report

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 in the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
December 21, 2021

Gunnison Watershed School District RE-1J
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

Part I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Noncompliance material to financial statements noted	None noted

Federal Awards

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200	None Noted
Major programs -	
Coronavirus Relief Fund	ALN # 21.019
Elementary and Secondary School Emergency Relief Fund	ALN # 84.425D
Dollar threshold used to identify Type A from Type B programs	\$750,000
Identified as low-risk auditee	Yes

Part II: Findings Related to Financial Statements

Findings related to financial statements as required by Government Auditing Standards	None noted
Auditor-assigned reference number	Not applicable

Part III: Findings Related to Federal Awards

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor assigned reference number	Not applicable

Gunnison Watershed School District RE-1J
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

Note: There were no findings for the fiscal year ended June 30, 2020.

Gunnison Watershed School District RE-1J
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Project Code	Expenditures
United States Department of Education:			
Passed Through Colorado Department of Education:			
Title I, Part A, Improving Basic Programs Operated by Schools	84.010	4010	\$ 220,760
IDEA, Part B, Special Education	84.027	4027	345,423 A
IDEA, Part B, Special Education: Preschool	84.173	4173	3,888 A
Title III, Part A, English Language Acquisition	84.365	4365	11,096
Title II, Part A, Teacher and Principal Training and Recruiting	84.367	4367	45,442
Title IV, Part A, Student Support and Academic Enrichment	84.424A	4424	16,658
IDEA, Part D, State Program Improvement Grant	84.323A	5323	12,383
Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	4420	288,015
Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	4425	184,546
Elementary and Secondary School Emergency Relief Fund:			
Connecting Students Grant	84.425D	5525	15,000
Subtotal - Elementary and Second School Emergency Relief Fund			487,561
Passed Through Board of Community College:			
Carl Perkins Vocational & Applied Technology	84.048	4048	37,444
Total United States Department of Education			1,180,655
United States Treasury:			
Passed through Colorado Department of Education:			
Coronavirus Relief Fund: K-12	21.019	4012	881,188
Coronavirus Relief Fund: K-12 At-Risk Pupils	21.019	5012	62,328
Coronavirus Relief Fund: Safe Schools Reopening Grant	21.019	6012	31,836
Subtotal - Coronavirus Relief Fund			975,352
Total United States Treasury			975,352
United States Department of Agriculture:			
Passed through Colorado Department of Education:			
National School Lunch Program	10.555	4555	103,052 B
COVID-19 - National School Lunch Program	10.555	4555	244,043 B
School Breakfast Program	10.553	4553	102 B
Summer Food Program	10.559	4559	354,076 B
National School Lunch Equipment Assistance	10.579	5579	19,159 B
Passed Through the Colorado Department of Human Services:			
Food Distributions, Commodities	10.555	4555	33,037 B
Passed through Gunnison County:			
Schools & Roads - Grants to Counties	10.665	7665	673,282 C
Total United States Department of Agriculture			1,426,751
Total Federal Expenditures			\$ 3,582,758
Additional Information for Clusters:			
A - Special Education Cluster (IDEA)	\$ 349,311		
B - Child Nutrition Cluster	\$ 753,469		
C - Forest Service Schools & Roads Cluster	\$ 673,282		

Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2021:

Note 1 - Basis of Presentation:

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Gunnison Watershed School District RE-1J and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Determining the Value of Non-cash Awards Expended:

Food Commodities: Fair market value of commodities at the time recipient received award.

Note 3 - Indirect Facilities and Administration Costs:

The District did not use the 10% de minimis cost rate allowed in 200.414, *Indirect*

Note 4 - Sub recipients:

Gunnison Watershed School District RE-1J did not provide any federal funds listed in the Schedule of Expenditures of Federal Awards to sub-recipients.