

Akron School District R-1
Akron, Colorado

Financial Statements

For the Year ended June 30, 2021

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Independent Auditors' Report

Board of Education
Akron School District R-1
Akron, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 3, 2021

**AKRON SCHOOL DISTRICT R-1
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2021**

This section of Akron School District R-1 annual financial report presents its discussion and analysis of the District's financial performance during the year ended June 30, 2021.

Financial Highlights

- The assets and deferred outflows of the Akron School District R-1 exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year. Our net position as of June 30, 2021 is \$10,829,781.
- The district's total net position increased by \$1,896,646, due primarily to the implementation of GASB 68 and 75.
- General revenues accounted for \$4,730,005 or 79% of the \$5,956,006 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$1,226,001 or 21% of revenues.
- The general fund ending fund balance reached \$1,940,927. This was an increase of \$165,192 from last year.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. A comparison to the prior year's activity is normally provided in the document. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statement. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide Statements

The Government-wide financial statements are designed to provide readers with information about the School District as a whole using accounting methods similar to those used by private-sector businesses.

The statement of net position includes all of the School District's assets and deferred outflow of resources and liabilities and deferred inflows of resources, 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 whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to 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.). In the government-wide financial statements, the School District's activities include the following:

- **Governmental activities:** Most of the School District's basic services are included here, such as instruction, transportation, maintenance, operations, administration, food service and pupil activities. Taxes and intergovernmental revenues principally support these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School District's operations, focusing on the most significant or "major" funds, not the School District as a whole. The School District has two kinds of funds: governmental funds and fiduciary funds.

Governmental Funds

Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School District's program.

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. Thus, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The School District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and change in fund balances for the General Fund, Bond Redemption Fund and Capital Reserve Capital Projects Fund, which are considered to be major funds. Data for the other two governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Fiduciary Funds

Fiduciary funds are used to count for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 20-21 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 22-61 of this report.

Other information

In addition to the basic financial statements, this report also presents other supplementary information concerning the School District’s annual appropriated budgets with comparison statements that demonstrate compliance with budgets. Budgeted amounts may be found on pages 78-94.

Financial Analysis of the School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the School District’s financial position.

85% of the School District’s assets are capital assets (e.g., land, buildings and equipment). The school District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the district’s net position as of June 30, 2021.

	Governmental Activities		Total Percentage Change
	2021	2020	2020-2021
Current and Other assets	\$ 3,681,753	\$ 4,348,714	-15.34%
Capital assets	20,353,522	20,491,675	-0.67%
Total assets	24,035,275	24,840,389	-3.24%
Deferred outflows of resources	2,276,067	827,607	175.02%
Total assets and deferred outflows of resources	\$ 26,311,342	\$ 25,667,996	2.51%
Long term liabilities	\$ 12,202,408	\$ 11,682,051	4.45%
Other liabilities	540,429	1,021,444	-47.09%
Total liabilities	12,742,837	12,703,495	0.31%
Deferred inflows of resources	2,738,724	4,031,366	-32.06%
Net investment in capital assets	15,221,686	14,926,656	1.98%
Restricted	756,429	677,046	11.72%
Unrestricted	(5,148,334)	(6,670,567)	-22.82%
Total net position	10,829,781	8,933,135	21.23%
Total liabilities, deferred inflows of resources and net position	\$ 26,311,342	\$ 25,667,996	2.51%

The following table is a summary of the District's change in net position.

Revenues	Governmental Activities		Total Percentage Change
	2021	2020	2020-2021
Program Revenues			
Charges for services	\$ 30,342	\$ 51,281	-40.83%
Operating Grants & Contributions	1,189,477	635,396	87.20%
Capital Grants & Contributions	6,182	-	N/A
General Revenues			
Property taxes	1,798,272	1,755,605	2.43%
State equalization	2,715,529	2,823,766	-3.83%
Other	216,204	261,383	-17.28%
Total Revenue	5,956,006	5,527,431	7.75%
Expenses			
Instruction	1,819,731	2,322,120	-21.63%
Pupil & Instructional Services	288,498	203,280	41.92%
Administration & Business	322,186	485,325	-33.61%
Maintenance & Operations	376,264	429,944	-12.49%
Transportation	209,166	277,874	-24.73%
Other	1,043,515	1,017,311	2.58%
Total Expenses	4,059,360	4,735,854	-14.28%
Change in net position	\$ 1,896,646	\$ 791,577	139.60%

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994, as amended (SFA). Under the SFA the School District received \$9,644 per funded student. In fiscal year 2021 the funded pupil count was 404.5. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 68 percent of this funding from state equalization while the remaining amount comes from property taxes and specific ownership tax. The School District's assessed valuation generated \$1,053,203 in property taxes for general purposes for fiscal year 2021.

Governmental Funds

The focus of the School 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 School district's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the School District's governmental funds reported combined ending fund balances of \$3,136,661, a decrease of \$169,741. The General Fund, Bond Redemption Fund, Capital Reserve Capital Projects Fund and Other Governmental Funds had fund balance increases (decreases) of \$165,192, \$25,025, \$(408,118) and \$48,430 respectively.

General Fund Budget Highlights

The District's budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund.

Budget highlights in the 2020-2021 school year are as follows:

- The District received \$124,748 in small-rural funding.
- The District received \$324,057 in Coronavirus Relief Funds (CRF) and \$56,780 in ESSER I funds. Items purchased with these federal funds were required to be in response to the COVID pandemic. The District purchased Chromebooks, computers, security cameras, thermometers, plexiglass, cleaning supplies, masks, internet hotspots, distance learning materials, and repairs to the HVAC jaces just to name a few. A portion of the teacher's salaries and benefits were able to be supplemented with the CRF grant due to an increase in instructional time from spring 2020 to fall 2020 per guidance from CDE.
- Due to the uncertainty of school finance and the strain of COVID on the economy, the Board of Education froze the salaries for all staff; however, horizontal steps based on approved education credits for salary advancement was allowed. The Board of Education did approve a Christmas bonus for all staff in December.
- Student enrollment numbers have continued to increase over the last five years. The increase in class size trend has therefore increased the PPR the District receives. An additional 5th/6th grade teacher was hired due to the increase in student enrollment numbers.
- Due to the continual increase in class sizes, the Board of Education approved a four-classroom addition. These classrooms house vocational business, family and consumer science, elementary special education, and elementary music. The addition was complete in August 2020 and was fully utilized for the 2020-2021 school year.
- The District continued to follow the textbook rotation schedule.
- The Colorado Preschool Program (CPP) Fund is in its seventeenth year and continues to operate without additional District subsidy. With the passing of full-day kindergarten legislation, ECARE slots became available thus allowing the District CPP program to form a community partnership with ABC Daycare and Akron Head Start. The District was able to count those students who qualified for a CPP position and funnel state monies to those community partners.
- The Food Service Program had a successful year. All students received free meals due to COVID. A transfer from the General Fund was required, which consisted of paying the salaries and benefits for the food service employees for the last month of the fiscal year.
- The non-profit scholarship trust performed well with interest totaling over \$33,000. This allowed the District to award five \$5,000 Simonsen Scholarships, two \$4,000 Akron Community Scholarship, and one \$2,000 scholarship from the remaining Trust & Agency account.
- The District completed the fourth year of the five-year lease for the two Thomas buses.

Capital Assets and Debt Administration

Capital Assets

The School Districts investment in capital assets for its governmental activities as of June 30, 2021 amounts to \$20,353,522 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, equipment, construction in progress, and capital leases all with an original cost greater than \$5,000.

The School District's total capital assets at June 30, 2021 net of accumulated depreciation were as follows:

Additional information on the School District's capital assets can be found in note E to the basic financial statements.

	Governmental Activities
Building & Improvements	\$ 20,095,150
Other Equipment	97,675
Licensed vehicles	160,697
Total Capital Assets	<u>\$ 20,353,522</u>

Long-Term Debt

At year-end, the School District's long-term debt of \$5,182,556 represented its compensated absences of \$50,720, capital lease obligations of \$897,125 and general obligation bonds of \$4,234,711.

Economic Factors

The budget is based upon the goals and objectives of the accountability committee and the Board of Education. The five goals are: 1) improving student achievement, 2) maintaining a high graduation rate, 3) maintaining a high attendance rate, 4) ensuring a quality learning environment, and 5) retaining and hiring highly qualified staff. Many factors were considered by the District's administration during the process of developing the fiscal year 20-21 budget. Among them:

- Student enrollment increased in FY21, and the enrollment outlook for FY22 is projected to remain steady with a slight increase in student population.
- Health and Property insurance premiums continue to increase, but the Workman's Compensation premiums have decreased.
- Goals continue to be in place to build up reserves in the Capital Reserve Fund and to have the Food Services and Pupil Activity Funds be self-sustaining. An additional transfer of \$50,000 was budgeted from the General Fund to the Capital Reserve Fund for the classroom addition lease payment.
- The Bond Redemption Fund is used to collect property taxes. Two semi-annual bond debt payments are also made from this fund. The Bond Redemption Fund is in its ninth year. The specific ownership taxes collected from the bond are deposited into the General Fund.

- The budget included the following considerations:
 - Salary – All salaries were frozen due to the COVID pandemic and economic uncertainty. The District continues to make every effort to raise salaries when possible.
 - Fringe benefits – The District will remain with the BEST health insurance program sponsored by CASB. The health insurance premiums increased 8%.
 - PERA – The employer contribution rate is 20.9% and the employee contribution rate increased to 10% in July of 2020.
 - Operation & Maintenance – The four-classroom addition was complete at the beginning of the 2020-2021 school year. The District continues to work on a permanent fix to the HVAC system.
 - Pupil Transportation – The District has been committed the past few years to update the transportation fleet. The District believes the fleet is currently up to date.
 - Transfers – The district will continue to transfer funds to the Capital Reserve Fund and the Colorado Preschool Program Fund.
 - Food Services – Lunch prices remained the same; however, all students received free meals for the 2020-2021 school year due to the COVID pandemic. A transfer from the General Fund was required to assist with salary and benefit expenditures. A transfer has also been budgeted for FY22 as a precaution.

The District maintains the budget, financial audits, and current salary schedules on its website: www.akronrams.net.

Contacting the Districts Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have any questions about this report or need additional information, contact Akron School District RE-1, 600 Elm Avenue, Akron, CO 80720.

Basic Financial Statements

The basic financial statements of the District include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

AKRON SCHOOL DISTRICT R-1
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash	\$ 2,606,565
Cash with fiscal agent	555,613
Certificates of deposit	387,792
Receivables	130,239
Inventories	1,544
Capital assets, net of depreciation	<u>20,353,522</u>
Total assets	24,035,275
Deferred outflows of resources	
Pension deferrals	2,250,880
Other post-employment benefit deferrals	<u>25,187</u>
Total deferred outflows of resources	<u>2,276,067</u>
Total assets and deferred outflows of resources	<u><u>\$ 26,311,342</u></u>
Liabilities	
Intergovernmental payable	\$ 41,944
Accounts payable	35,017
Accrued salaries and benefits	401,165
Unearned revenues	10,494
Unearned grant revenues	19,419
Accrued interest payable	32,390
Noncurrent liabilities	
Due within one year	440,448
Due in more than one year	4,742,108
Net pension liability	6,773,663
Net OPEB liability	<u>246,189</u>
Total liabilities	12,742,837
Deferred inflows of resources	
Pension deferrals	2,659,498
Other post-employment benefit deferrals	<u>79,226</u>
Total deferred inflows of resources	2,738,724
Net position	
Net investment in capital assets	15,221,686
Restricted for:	
Emergencies	140,000
Colorado preschool program	21,927
Debt service	540,582
Food service operations	53,920
Unrestricted (deficit)	<u>(5,148,334)</u>
Total net position	<u>10,829,781</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 26,311,342</u></u>

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

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AKRON SCHOOL DISTRICT R-1
Statement of Activities
For the Year Ended June 30, 2021

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 1,819,731	\$ 8,600	\$ 732,666	\$ 6,182
Supporting services				
Students	34,185			
Instructional staff	254,313		160,171	
General administration	134,323			
School administration	152,089			
Business services	35,774			
Operations and maintenance	376,264		17,806	
Student transportation	209,166		65,598	
Central support services	134,506			
Food service operations	175,804	21,742	213,236	
Interest on long-term debt	216,585			
Unallocated depreciation *	516,620			
Total governmental activities	<u>\$ 4,059,360</u>	<u>\$ 30,342</u>	<u>\$ 1,189,477</u>	<u>\$ 6,182</u>

* This amount excludes depreciation that is included in the direct expenses of the various programs.

General revenues
Taxes
Property taxes, levied for general purposes
Property taxes, levied for debt services
Specific ownership taxes
Delinquent taxes and interest
State categorical aid
Earnings on investments
Other
Total general revenues
Change in net position
Net position at beginning of year
Net position at end of year

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

Net (Expenses)
Revenues and
Changes in
Net Position

Governmental
Activities

\$ (1,072,283)

(34,185)
(94,142)
(134,323)
(152,089)
(35,774)
(358,458)
(143,568)
(134,506)
59,174
(216,585)
(516,620)

(2,833,359)

1,053,203
539,140
199,833
6,096
2,715,529
10,460
205,744

4,730,005

1,896,646

8,933,135

\$ 10,829,781

AKRON SCHOOL DISTRICT R-1
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Other Governmental Funds
Assets				
Cash	\$ 2,042,569		\$ 336,993	\$ 227,003
Cash with fiscal agent	26,377	\$ 529,236		
Certificates of deposit	282,334		103,886	1,572
Property taxes receivable	46,275	24,490		
Grants receivable	59,082			3
Other receivables				389
Inventories				1,544
Total assets	\$ 2,456,637	\$ 553,726	\$ 440,879	\$ 230,511
Liabilities				
Intergovernmental payable	\$ 41,944			
Accounts payable	29,273			\$ 5,744
Accrued salaries and benefits	401,165			
Unearned revenues				10,494
Unearned grant revenues	19,419			
Total liabilities	491,801	\$ -	\$ -	16,238
Deferred inflows of resources				
Deferred property tax revenues	23,909	13,144		
Total deferred inflows of resources	23,909	13,144	-	-
Fund balance				
Nonspendable inventory				1,544
Restricted for:				
Emergencies	140,000			
Colorado preschool program	21,927			
Debt service		540,582		
Food service operations				53,920
Committed to:				
Capital projects			440,879	
Pupil activities				158,809
Unassigned	1,779,000			
Total fund balance	1,940,927	540,582	440,879	214,273
Total liabilities, deferred inflows of resources and fund balance	\$ 2,456,637	\$ 553,726	\$ 440,879	\$ 230,511

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

Total Governmental Funds	Amounts reported for governmental activities in the statement of net position are different because:	
	Total fund balance - governmental funds	\$ 3,136,661
\$ 2,606,565	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	20,353,522
555,613		
387,792	Property taxes receivable will be collected in the next fiscal year but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenues in the funds.	37,053
70,765		
59,085		
389		
1,544		
\$ 3,681,753		
	Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(32,390)
\$ 41,944		
35,017		
401,165	Long-term liabilities and related deferred inflows and outflows of resources, including bonds payable, capital lease obligations, compensated absences and net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(12,665,065)
10,494		
19,419		
508,039		
	Net position of the governmental activities	<u>\$ 10,829,781</u>
37,053		
37,053		
1,544		
140,000		
21,927		
540,582		
53,920		
440,879		
158,809		
1,779,000		
3,136,661		
\$ 3,681,753		

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

AKRON SCHOOL DISTRICT R-1
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Other Governmental Funds
Revenues				
Local sources	\$ 1,313,405	\$ 542,620	\$ 896	\$ 193,057
Intermediate sources	182			
State sources	3,125,668			1,670
Federal sources	572,284			211,566
Total revenues	5,011,539	542,620	896	406,293
Expenditures				
Instruction	2,855,165			164,493
Supporting services	1,835,205			199,347
Capital outlay			437,974	
Debt service				
Principal		337,594	95,589	
Interest and fiscal charges		180,001	25,451	
Total expenditures	4,690,370	517,595	559,014	363,840
Excess of revenues over (under) expenditures	321,169	25,025	(558,118)	42,453
Other financing sources (uses)				
Transfers in			150,000	5,977
Transfers out	(155,977)			
Total other financing sources (uses)	(155,977)	-	150,000	5,977
Net change in fund balances	165,192	25,025	(408,118)	48,430
Fund balance at beginning of year	1,775,735	515,557	848,997	165,843
Fund balance at end of year	<u>\$ 1,940,927</u>	<u>\$ 540,582</u>	<u>\$ 440,879</u>	<u>\$ 214,273</u>

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

Total Governmental Funds	Amounts reported for governmental activities in the statement of activities are different because:	
	Net change in fund balances - governmental funds	\$ (169,471)
\$ 2,049,978	Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the current period.	
182		
3,127,338		
783,850		
5,961,348		(138,152)
3,019,658	Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	
2,034,552		
437,974		
433,183		
205,452		(5,342)
6,130,819	Repayment of principal on bonds and capital lease obligations are expenditures in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.	433,183
(169,471)	In the statement of activities, certain expenses related to the pension and OPEB liabilities and related deferred outflows and inflows, compensated absences and accrued interest payable, are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
155,977		
(155,977)		
-		
(169,471)		1,776,428
3,306,132	Change in net position of governmental activities	\$ 1,896,646
\$ 3,136,661		

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

AKRON SCHOOL DISTRICT R-1
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	<u>Private Purpose Trust Fund</u>
Assets	
Certificates of deposit	<u>\$ 38,947</u>
Total assets	<u><u>\$ 38,947</u></u>
Liabilities	\$ -
Net position	
Restricted for scholarship recipients	<u>38,947</u>
Total liabilities and net position	<u><u>\$ 38,947</u></u>

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

AKRON SCHOOL DISTRICT R-1
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	<u>Private Purpose Trust Fund</u>
Additions	
Contributions and earnings	\$ 465
Total additions	465
Deductions	
Scholarship awards	2,000
Total deductions	2,000
Change in net position	(1,535)
Net position at beginning of year	40,482
Net position at end of year	<u>\$ 38,947</u>

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

AKRON SCHOOL DISTRICT R-1

Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Akron School District R-1's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

A.1 – Reporting entity

The Akron School District R-1 is a school district governed by an elected five-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the District has no component units.

A.2 – Fund accounting

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The District does not have any proprietary funds.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following are the District's major governmental funds:

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended.

Expenditures include all costs associated with the daily operation of the schools, except for certain capital outlay expenditures, debt service, food service operations and pupil activities.

Bond Redemption – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest, and other fiscal charges.

Capital Reserve Capital Projects Fund – This fund is a capital projects fund used to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

The following are the District’s nonmajor governmental funds:

Food Service Fund – This fund is a special revenue fund used to account for the financial activities associated with the District’s food service operations.

Pupil Activity Fund – This fund is special revenue fund used to record transactions related to school-sponsored pupil organizations and activities.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the District’s own programs. The District has the following fiduciary fund:

Scholarship Trust Fund – This fund is a private-purpose trust fund used to account for resources held by the District in a fiduciary capacity for scholarships to be distributed to area students for post-secondary education.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Note A.3 – Basis of presentation

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

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

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

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

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Fiduciary funds focus on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The District's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

A.4 – Basis of accounting

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

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

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

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

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

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

A.5 – Encumbrances

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year’s budget.

A.6 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.7 – Inventories

Food Service Fund – purchased inventories are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at the United States Department of Agriculture’s assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when consumed. The federal government donates surplus commodities to the national school lunch program. Commodity distributions used by the District are recorded as revenues at the date of their consumption.

A.8 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>
Buildings and improvements	5-50 years
Other equipment	5-20 years
Licensed vehicles	8 years

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.9 – Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Compensated absences benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated sick leave benefits are paid to employees upon termination of employment.

The District’s policy permits employees to accumulate a limited amount of earned but unused sick leave benefits, which vest upon reaching ten or more years of continuous service and are payable up to fifty days of unused leave at the following rates: teachers – one-half of the current substitute pay; bus drivers – one half of the current trip pay; and hourly employees – one half of the current step one hourly rate.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “accrued compensated absences” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The amount recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

A.10 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds is reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.11 – Fund balance

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

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

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the District's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of education through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.12 – Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

A.13 – Interfund transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.14 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note B – Cash and investments (Continued)

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$3,091,013, of which \$708,706 was insured and \$2,382,307 was collateralized with securities held by the pledging institution’s trust department or agent in the District’s name.

Investments

Authorized Investments – Investment policies are governed by Colorado State Statutes and the District’s own investment policies and procedures. Investments of the District may include:

- Obligations of the U.S. Government such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The following table provides a reconciliation of cash and investments on the statement of net position:

Cash in bank	\$ 2,606,565
Cash with fiscal agent	555,613
Certificates of deposit	<u>426,739</u>
Total	<u>\$ 3,588,917</u>
<u>Statement of net position</u>	
Cash	\$ 2,606,565
Cash with fiscal agent	555,613
Certificates of deposit	<u>387,792</u>
Subtotal	3,549,970
<u>Statement of fiduciary net position</u>	
Certificates of deposit	<u>38,947</u>
Total	<u>\$ 3,588,917</u>

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>
Property taxes receivable	\$ 70,765
Grants receivables	59,085
Other receivables	<u>389</u>
Total	<u>\$ 130,239</u>

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Washington County bills and collects property taxes for all taxing entities within the counties. The tax receipts collected by the counties are remitted to the District in the subsequent month.

Note D – Interfund transactions

The following is a summary of interfund transfers for the year as presented in the fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General Fund	\$ -	\$ 155,977
Capital Reserve Capital Projects Fund	150,000	
Other Governmental Funds	<u>5,977</u>	<u>-</u>
Total	<u>\$ 155,977</u>	<u>\$ 155,977</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The District transferred funds in the amount of \$150,000 from the General Fund to the Capital Reserve Capital Projects Fund to set moneys aside for capital needs and \$5,977 to Other Governmental Funds to subsidize the costs of food service operations.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 514,901	\$ 437,974	\$ (952,875)	\$ -
Total capital assets, not being depreciated	514,901	437,974	(952,875)	-
Capital assets, being depreciated:				
Buildings and improvements	24,083,888	-	952,875	25,036,763
Other equipment	305,715	-	-	305,715
Licensed vehicles	907,078	-	-	907,078
Total capital assets, being depreciated	<u>25,296,681</u>	<u>-</u>	<u>952,875</u>	<u>26,249,556</u>
Total capital assets	25,811,582	437,974	-	26,249,556
Less accumulated depreciation for:				
Buildings and improvements	(4,425,799)	(515,814)	-	(4,941,613)
Other equipment	(191,690)	(16,350)	-	(208,040)
Licensed vehicles	<u>(702,419)</u>	<u>(43,962)</u>	<u>-</u>	<u>(746,381)</u>
Total accumulated depreciation	<u>(5,319,908)</u>	<u>(576,126)</u>	<u>-</u>	<u>(5,896,034)</u>
Governmental activities capital assets, net	<u>\$ 20,491,674</u>	<u>\$ (138,152)</u>	<u>\$ -</u>	<u>\$ 20,353,522</u>

Depreciation expense was charged to programs of the District as follows:

Governmental activities	
Instruction	\$ 611
Operations and maintenance	1,037
Student transportation	43,379
Food service operations	14,479
Unallocated	<u>516,620</u>
Total	<u>\$ 576,126</u>

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note F – Accrued salaries and benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$401,165. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balances</u>	<u>Due within</u> <u>one year</u>
Governmental Activities					
Compensated absences	\$ 43,017	\$ 7,703	\$ -	\$ 50,720	\$ -
Capital lease obligations	992,714	-	(95,589)	897,125	89,074
Bonds payable	<u>4,572,305</u>	<u>-</u>	<u>(337,594)</u>	<u>4,234,711</u>	<u>351,374</u>
Totals	<u>\$ 5,608,036</u>	<u>\$ 7,703</u>	<u>\$ (433,183)</u>	<u>\$ 5,182,556</u>	<u>\$ 440,448</u>

Payments on the capital lease obligations are made in the Capital Projects Reserve Capital Fund while payments on the bonds payable are made in the Bond Redemption Fund. The compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The District believes that the current portion of compensated absences is negligible and is therefore not reported.

Capital lease obligations

Transportation vehicle lease obligation – In September 2017, the District entered into an agreement with The Farmers State Bank to purchase two 2018 Thomas school buses. The agreement called for a lease term of five years with annual renewal options. Monthly payments of \$3,576 are due on the 15th of each month, with a final payment due in September 2022. The average interest rate over the lease term is 3.50%. The District has capitalized \$196,700 of assets under this capital lease.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note G – Long-term debt (Continued)

The agreement contains a provision that, in the event of default, the lessor may (a) declare the term ended and to take possession of the property or any part, either with or without the process of law, and repossess, using such force as may be necessary, repossess and enjoy without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant. In the event that legal process is necessary to reclaim the property, the lessor shall be entitled to its reasonable attorney fees and costs and expenses.

Facility renovation obligation– In March 2020, the District entered into an agreement with Capital One Public Funding, LLC, to finance the costs to acquire, construct, equip and install a structure for use as school classrooms. The agreement called for a lease term of one year with annual renewal options. Annual payments of \$78,129 are due on December 1st of each year, with a final payment due in fiscal year 2035. The average interest rate over the lease term is 3.65%. The District has capitalized \$952,875 of assets under this capital lease.

The agreement contains a provision that, in the event of default, the lessor may (a) declare all payments and other amounts payable by the District hereunder to the end of the current original term to be immediately due (b) with or without terminating the lease, take possession of the leased property, sell District's interest in the base lease, or lease the leased property and collect rental payments therefor for all or any portion of the remainder of its leasehold term with the District remaining liable for the difference between the rental payments, additional rental payments and other amounts payable; (c) The lessor may provide written notice of the occurrence of an event of default to the escrow agent, and the escrow agent shall thereupon promptly remit to the lessor the entire balance of the escrow fund established and held under the escrow agreement; or (d) take whatever action at law or in equity may appear necessary or desirable to collect the rental payments then due and thereafter to become due during the then current original term.

Bonds Payable

\$7,084,651 general obligation bonds, dated December 16, 2010, due in annual installments beginning in fiscal year 2012 ranging from \$245,126 to \$503,675; fixed annual interest rate of 4.08% payable semi-annually on June 1st and December 1st.

Total general obligation bonds \$ 4,234,711

The following schedule represents the District's debt service requirements to maturity for the outstanding long-term debt at year-end:

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note G – Long-term debt (Continued)

<u>Year Ending December 31,</u>	<u>Capital Leases</u>		<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 89,074	\$ 32,001	\$ 351,374	\$ 165,689
2023	59,689	29,167	365,717	151,054
2024	50,813	27,315	380,646	135,820
2025	52,668	25,461	396,184	119,965
2026	54,591	23,538	412,356	103,463
2027-2031	304,336	86,307	2,328,434	245,217
2032-2035	<u>285,954</u>	<u>26,561</u>	-	-
Totals	<u>\$ 897,125</u>	<u>\$ 250,350</u>	<u>\$ 4,234,711</u>	<u>\$ 921,208</u>

Note H – Defined benefit pension plan

Summary of Significant Accounting Policies

Pensions. The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (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 made changes to certain benefit provisions. Most of these changes were in effect as of June 30, 2021.

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the 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.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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. Section 24-51-602, 604, 1713, and 1714.

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

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

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

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. Section 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. Section 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 retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions provisions as of June 30, 2021. Eligible employees of the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. Section 24-51-401, *et seq.* and Section 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 <u>June 30, 2021</u>
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	<u>(1.02)%</u>
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411	<u>5.50%</u>
Total employer contribution rate to the SCHDTF	<u><u>19.88%</u></u>

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

At December 31, 2020, the District’s proportion was 0.0448 percent, which was an increase of 0.0060 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension expense of (\$1,292,900) and revenue of \$0 for support from the State as a nonemployer contributing entity. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 347,577	\$ -
Changes of assumptions or other inputs	651,605	975,015
Net difference between projected and actual earnings on pension plan investments	-	1,446,423
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,008,348	238,060
Contributions subsequent to the measurement date	<u>243,350</u>	<u>-</u>
Total	<u>\$ 2,250,880</u>	<u>\$ 2,659,498</u>

\$243,550 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 subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30, __</u>	<u>Amount</u>
2022	\$ (843,820)
2023	493,412
2024	(66,341)
2025	<u>(235,219)</u>
Totals	<u>\$ (651,968)</u>

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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.

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.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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.

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.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

- **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 or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

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

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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	<u>6.00%</u>	4.70%
Total	<u>100.00%</u>	

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.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (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 the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. 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.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (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 <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net pension liability	\$ 9,239,831	\$ 6,773,663	\$ 4,718,532

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

Payables to the pension plan

The District did not report any payables to the pension plan at year-end.

Note I – Defined contribution pension plan

Voluntary Investment Program

Plan description - Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available 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 offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended, program members contributed \$25,240 for the Voluntary Investment Program.

AKRON SCHOOL DISTRICT R-1

Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

C.R.S. Section 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. Section 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.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$24,854 for the year ended June 30, 2021.

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

At year-end, the District reported a liability of \$246,189 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's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the District's proportion was 0.0259 percent, which was an increase of 0.0006 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$6,891. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 633	\$ 53,235
Changes of assumptions or other inputs	1,776	15,096
Net difference between projected and actual earnings on OPEB plan investments	-	10,017
Changes in proportion and differences between contributions recognized and proportionate share of contributions	10,292	878
Contributions subsequent to the measurement date	<u>12,486</u>	<u>-</u>
Total	<u>\$ 25,187</u>	<u>\$ 79,226</u>

\$12,486 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 subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30, ___</u>	<u>Amount</u>
2022	\$ (15,688)
2023	(14,325)
2024	(16,280)
2025	(14,757)
2026	(5,150)
2027	<u>(325)</u>
Total	<u>\$ (66,525)</u>

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

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 December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

Initial Costs for Members without Medicare Part A

<u>Medicare Plan</u>	<u>Monthly Cost</u>	<u>Monthly Premium</u>	<u>Monthly Cost Adjusted to Age 65</u>
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.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

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

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

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
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.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

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

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

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

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

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.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

	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%	N/A

¹ C.R.S. Section 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.

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.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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.

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.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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	<u>6.00%</u>	4.70%
Total	<u>100.00%</u>	

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:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
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	<u>3.50%</u>	<u>4.50%</u>	<u>5.50%</u>
Net OPEB Liability	\$ 239,826	\$ 246,189	\$ 253,597

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:

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

- 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 <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net OPEB liability	\$ <u>282,014</u>	\$ <u>246,189</u>	\$ <u>215,579</u>

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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.

Payables to the OPEB plan

The District did not report any payables to the OPEB plan at year-end.

Note K – Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

BEST Health Plan

The District joined the Colorado Boards of Education Self-Funded Trust (BEST) in 2008. This partially self-funded trust was established in 2004 to offer a stable, long-term, statewide medical program designed to meet the business objective and challenges of school districts. Medical coverage for the District employees is purchased through the trust.

The District pays a monthly premium to BEST to provide health insurance coverage and services for its plan members. Employees are responsible for paying a deductible amount before the plan begins to pay. The individual deductible amount for fiscal year 2021 was \$2,000 or \$3,500 depending on the type of plan. There is no lifetime maximum benefit for our plan members.

Because there is the potential to incur high cost medical claims, BEST purchases stop-loss coverage to cover claims that exceed its deductible limit, which is currently \$50,000. Each year, the deductible limit is reviewed based on actuarial analysis to determine if paying an additional premium would increase or reduce the ultimate cost of risk to the District. As members of the BEST Health Plan, the District also purchases prescription coverage through the pool.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note L – Commitments and contingencies

Federal and state funding

The District receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. On November 5, 1996, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$140,000 for the emergency reserve.

Note M – Joint venture

The District participates in the Northeast Colorado Board of Cooperative Educational Services (BOCES). This joint venture does not meet the criteria for inclusion within the reporting entity because the BOCES:

- is financially independent and responsible for its own financing deficits and entitled to its own surpluses,
- has a separate governing board from that of the District,
- has a separate management which is responsible for the day to day operations and is accountable to the separate board,

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note M – Joint venture (Continued)

- governing board and management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome or disposition of matters affecting the recipients or services provided, and
- has absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

The District has one member on the board. The board has final authority for all budgeting and financing of the joint venture.

Separate financial statements of the Northeast Colorado Board of Cooperative Educational Services are available by contacting their administrative office in Haxtun, Colorado.

For the year, the District's contribution was \$156,804.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of the District’s Proportionate Share of the Net Pension Liability – PERA’s School Division Trust Fund
- Schedule of District Contributions – PERA’s School Division Trust Fund
- Schedule of the District’s Proportionate Share of the Net OPEB Liability – PERA’s Health Care Trust Fund
- Schedule of District Contributions – PERA’s Health Care Trust Fund

AKRON SCHOOL DISTRICT R-1
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 1,244,997	\$ 1,336,003	\$ 1,313,405	\$ (22,598)
Intermediate sources	275	182	182	-
State sources	2,788,161	2,851,825	3,125,668	273,843
Federal sources	140,000	745,000	572,284	(172,716)
Total revenues	4,173,433	4,933,010	5,011,539	78,529
Expenditures				
Instruction	2,925,450	2,993,835	2,855,165	138,670
Supporting services	1,712,535	2,174,591	1,835,205	339,386
Appropriated reserves	725,233	921,460		921,460
Total expenditures	5,363,218	6,089,886	4,690,370	1,399,516
Excess of revenues over (under) expenditures	(1,189,785)	(1,156,876)	321,169	1,478,045
Other financing sources (uses)				
Transfers out	(170,215)	(168,859)	(155,977)	12,882
Net change in fund balance	\$ (1,360,000)	\$ (1,325,735)	165,192	\$ 1,490,927
Fund balance at beginning of year			1,775,735	
Fund balance at end of year			\$ 1,940,927	

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AKRON SCHOOL DISTRICT R-1
Schedule of the District's Proportionate Share of the Net Pension Liability¹
PERA's School Division Trust Fund
June 30, 2021

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
District's proportion of the net pension liability	0.0448%	0.0388%	0.0384%	0.0441%
District's proportionate share of the net pension liability	\$ 6,773,663	\$ 5,789,372	\$ 6,793,888	\$ 14,268,790
State's proportionate share of the net pension liability	<u>-</u>	<u>734,308</u>	<u>928,970</u>	<u>-</u>
Total	<u>\$ 6,773,663</u>	<u>\$ 6,523,680</u>	<u>\$ 7,722,858</u>	<u>\$ 14,268,790</u>
District's covered payroll	\$ 2,395,879	\$ 2,277,040	\$ 2,109,308	\$ 2,035,481
District's proportionate share of the net pension liability as a percentage of its covered payroll	282.72%	254.25%	322.09%	701.00%
Plan fiduciary net position as a percentage of the total pension liability	66.99%	64.52%	57.01%	43.96%

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

¹ Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
0.0439%	0.0441%	0.0443%	0.0468%
\$ 13,085,555	\$ 6,748,266	\$ 6,004,630	\$ 5,970,431
-	-	-	-
<u>\$ 13,085,555</u>	<u>\$ 6,748,266</u>	<u>\$ 6,004,630</u>	<u>\$ 5,970,431</u>
\$ 1,972,546	\$ 1,922,860	\$ 1,856,003	\$ 1,887,005
663.38%	350.95%	323.52%	316.40%
43.10%	59.20%	62.84%	64.06%

AKRON SCHOOL DISTRICT R-1
Schedule of District Contributions¹
PERA's School Division Trust Fund
June 30, 2021

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 484,403	\$ 453,589	\$ 418,300	\$ 389,984
Contributions in relation to the contractually required contribution	<u>(484,403)</u>	<u>(453,589)</u>	<u>(418,300)</u>	<u>(389,984)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,436,625	\$ 2,340,496	\$ 2,186,620	\$ 2,065,309
Contributions as a percentage of covered payroll	19.88%	19.38%	19.13%	18.88%

¹ Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
\$ 368,488	\$ 342,891	\$ 321,862	\$ 296,891
<u>(368,488)</u>	<u>(342,891)</u>	<u>(321,862)</u>	<u>(296,891)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,008,749	\$ 1,933,843	\$ 1,899,897	\$ 1,857,899
18.34%	17.73%	16.94%	15.98%

AKRON SCHOOL DISTRICT R-1
Schedule of the District's Proportionate Share of the Net OPEB Liability¹
PERA's Health Care Trust Fund
June 30, 2021

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
District's proportion of the net OPEB liability	0.0259%	0.0253%	0.0249%	0.0250%
District's proportionate share of the net OPEB liability	\$ 246,189	\$ 284,643	\$ 339,313	\$ 325,839
District's covered payroll	\$ 2,395,879	\$ 2,277,040	\$ 2,109,308	\$ 2,035,481
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	10.28%	12.50%	16.09%	16.01%
Plan fiduciary net position as a percentage of the total OPEB liability	32.78%	24.49%	17.03%	17.53%

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

¹ Information is not available prior to June 30, 2017. In future reports, additional years will be added until 10 years of historical data are presented.

June 30, 2017

0.0249%

\$ 323,895

\$ 1,972,546

16.42%

16.72%

AKRON SCHOOL DISTRICT R-1
Schedule of District Contributions¹
PERA's Health Care Trust Fund
June 30, 2021

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 24,854	\$ 23,873	\$ 22,304	\$ 21,066
Contributions in relation to the contractually required contribution	<u>(24,854)</u>	<u>(23,873)</u>	<u>(22,304)</u>	<u>(21,066)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,436,625	\$ 2,340,496	\$ 2,186,620	\$ 2,065,309
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

¹ Information is not available prior to June 30, 2017. In future reports, additional years will be added until 10 years of historical data are presented.

June 30, 2017

\$ 20,489

(20,489)

\$ -

\$ 2,008,749

1.02%

AKRON SCHOOL DISTRICT R-1
Notes to the Required Supplementary Information

Note A – Budgetary data

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the superintendent of schools submits to the board of education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Prior to January 31, the board of education submits its adopted annual budget to the department of education.
5. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the board of education.
6. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year. After budget approval, the District board of education may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted.
8. Appropriations lapse at year-end.

Note B – Factors affecting trends in amounts reported in the pension and OPEB schedules

Information about factors that significantly affect trends in the amounts reported in the Schedules of the District's Proportionate Share of the Net Pension and OPEB Liabilities and the Schedules of District Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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Budgetary Comparison Schedules - General Fund

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

AKRON SCHOOL DISTRICT R-1
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 1,049,618	\$ 1,070,103	\$ 1,057,388	\$ (12,715)
Specific ownership taxes	118,979	196,300	199,833	3,533
Delinquent taxes and interest	2,800	3,200	4,019	819
Tuition	12,600	5,400	8,600	3,200
Earnings on investments	9,000	9,000	9,318	318
Other local revenue	52,000	52,000	34,247	(17,753)
Total local sources	1,244,997	1,336,003	1,313,405	(22,598)
Intermediate sources	275	182	182	-
State sources				
Equalization	2,585,161	2,634,475	2,715,529	81,054
Vocational education	18,000	22,000	33,384	11,384
ELPA professional development	5,370	2,800		(2,800)
English language proficiency		2,500	878	(1,622)
Transportation	55,000	61,850	65,222	3,372
State grants to libraries	4,500	3,500	3,490	(10)
Small rural schools funding			124,748	124,748
Additional at-risk funding	2,000	2,000	2,695	695
Career success pilot program incentives		2,000	6,440	8,440
Kindergarten capital construction			6,182	6,182
READ Act	7,670	15,360	7,691	(7,669)
Revenue from other state agencies			3,000	3,000
Services within the BOCES	110,460	105,340	156,409	51,069
Total state sources	2,788,161	2,851,825	3,125,668	277,843
Federal sources				
Title I	83,774	84,434	84,434	-
Title II-A	15,330	15,508	15,363	(145)
Coronavirus relief		325,000	324,058	(942)
ESSER III 90% – LEA Allocation			6,195	6,195
ESSER II - Distribution 90%		280,000	28,699	(251,301)
ESSER - Education stabilization			56,780	56,780
CRF: K-12 at-risk pupils			12,041	12,041
REAP	29,000	29,000	30,378	1,378
Services within the BOCES	11,896	11,058	14,336	3,278
Total federal sources	140,000	745,000	572,284	(172,716)
Total revenues	\$ 4,173,433	\$ 4,933,010	\$ 5,011,539	\$ 82,529

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AKRON SCHOOL DISTRICT R-1
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Salaries	\$ 1,710,000	\$ 1,748,000	\$ 1,729,279	\$ 18,721
Employee benefits	667,000	668,235	661,295	6,940
Purchased services	417,250	420,750	328,587	92,163
Supplies and materials	113,500	139,150	121,107	18,043
Property	17,700	17,700	14,897	2,803
Total instruction	2,925,450	2,993,835	2,855,165	138,670
Supporting services				
Students				
Salaries	48,000	48,000	46,732	1,268
Employee benefits	19,000	19,000	17,992	1,008
Purchased services	1,500	1,500	1,073	427
Supplies and materials	1,500	1,500	1,039	461
Total students	70,000	70,000	66,836	3,164
Instructional staff				
Salaries	56,000	56,000	80,850	(24,850)
Employee benefits	25,000	25,000	28,471	(3,471)
Purchased services	26,600	26,700	40,507	(13,807)
Supplies and materials	13,000	108,000	102,761	5,239
Property	20,000	66,000	58,214	7,786
Total instructional staff	140,600	281,700	310,803	(29,103)
General administration				
Salaries	121,000	121,000	121,091	(91)
Employee benefits	36,000	36,000	34,391	1,609
Purchased services	79,700	74,400	56,241	18,159
Supplies and materials	11,000	11,000	7,206	3,794
Total general administration	247,700	242,400	218,929	23,471

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	222,000	234,400	224,518	9,882
Employee benefits	73,000	73,000	64,793	8,207
Purchased services	21,600	21,600	15,329	6,271
Supplies and materials	7,000	7,000	4,319	2,681
Total school administration	323,600	336,000	308,959	27,041
Business services				
Salaries	36,000	36,000	34,362	1,638
Employee benefits	8,000	8,000	7,453	547
Purchased services	8,500	8,500	4,372	4,128
Supplies and materials	1,000	2,000	2,264	(264)
Other	9,785	11,141	11,332	(191)
Total business services	63,285	65,641	59,783	5,858
Operations and maintenance				
Salaries	145,000	145,000	158,946	(13,946)
Employee benefits	59,000	59,000	61,382	(2,382)
Purchased services	111,300	391,300	93,748	297,552
Supplies and materials	137,000	149,500	145,817	3,683
Property	20,000	29,000	26,389	2,611
Total operations and maintenance	472,300	773,800	486,282	287,518
Student transportation				
Salaries	121,000	131,000	119,250	11,750
Employee benefits	61,000	61,000	64,027	(3,027)
Purchased services	20,800	20,800	17,969	2,831
Supplies and materials	62,000	62,000	47,861	14,139
Total student transportation	264,800	274,800	249,107	25,693

(continued)

AKRON SCHOOL DISTRICT R-1
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2021

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Purchased services	<u>130,250</u>	<u>130,250</u>	<u>134,506</u>	<u>(4,256)</u>
Total central support services	<u>130,250</u>	<u>130,250</u>	<u>134,506</u>	<u>(4,256)</u>
Total supporting services	1,712,535	2,174,591	1,835,205	339,386
Appropriated reserves	<u>725,233</u>	<u>921,460</u>		<u>921,460</u>
Total expenditures	<u>\$ 5,363,218</u>	<u>\$ 6,089,886</u>	<u>\$ 4,690,370</u>	<u>\$ 1,399,516</u>

**Combining Statements and Budgetary Comparison Schedules –
Nonmajor Governmental Funds**

The District reports the following nonmajor governmental funds:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Food Service Fund – This fund is used to record financial transactions related to the District’s food service operations.
- Pupil Activity Fund – This fund is used to record transactions related to school-sponsored pupil organizations and activities.

AKRON SCHOOL DISTRICT R-1
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	Food Service Fund	Pupil Activity Fund	Totals
Assets			
Cash	\$ 64,022	\$ 162,981	\$ 227,003
Certificates of deposit		1,572	1,572
Grants receivables	3		3
Other receivables	389		389
Inventories	1,544		1,544
Total assets	\$ 65,958	\$ 164,553	\$ 230,511
Liabilities			
Accounts payable		\$ 5,744	\$ 5,744
Unearned revenues	\$ 10,494		10,494
Total liabilities	10,494	5,744	16,238
Fund balance			
Nonspendable inventories	1,544		1,544
Restricted for food service operations	53,920		53,920
Committed to pupil activities		158,809	158,809
Total fund balance	55,464	158,809	214,273
Total liabilities and fund balance	\$ 65,958	\$ 164,553	\$ 230,511

AKRON SCHOOL DISTRICT R-1
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2021

	Food Service Fund	Pupil Activity Fund	Totals
Revenues			
Local sources	\$ 21,742	\$ 171,315	\$ 193,057
State sources	1,670		1,670
Federal sources	211,566		211,566
Total revenues	234,978	171,315	406,293
Expenditures			
Instruction		164,493	164,493
Supporting services	199,347		199,347
Total expenditures	199,347	164,493	363,840
Excess of revenues over (under) expenditures	35,631	6,822	42,453
Other financing sources			
Transfers in	5,977		5,977
Net change in fund balances	41,608	6,822	48,430
Fund balance at beginning of year	13,856	151,987	165,843
Fund balance at end of year	\$ 55,464	\$ 158,809	\$ 214,273

AKRON SCHOOL DISTRICT R-1
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 50,000	\$ 24,100	\$ 21,742	\$ (2,358)
State sources	3,500	2,000	1,670	(330)
Federal sources	106,500	148,500	211,566	63,066
Total revenues	160,000	174,600	234,978	60,378
Expenditures				
Food service operations				
Salaries	51,000	51,000	54,418	(3,418)
Employee benefits	29,000	29,000	26,197	2,803
Purchased services	2,500	2,500	1,601	899
Supplies and materials	118,500	135,956	117,131	18,825
Total expenditures	201,000	218,456	199,347	19,109
Excess of revenues over (under) expenditures	(41,000)	(43,856)	35,631	41,269
Other financing sources				
Transfers in	30,000	30,000	5,977	(24,023)
Net change in fund balance	\$ (11,000)	\$ (13,856)	41,608	\$ 55,464
Fund balance at beginning of year			13,856	
Fund balance at end of year			\$ 55,464	

AKRON SCHOOL DISTRICT R-1
Pupil Activity Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Pupil activities	\$ 230,000	\$ 100,000	\$ 171,315	\$ 71,315
Total revenues	230,000	100,000	171,315	71,315
Expenditures				
Instruction				
Purchased services			25,508	(25,508)
Supplies and materials			138,985	(138,985)
Appropriated reserves	382,000	251,987		251,987
Total expenditures	382,000	251,987	164,493	87,494
Net change in fund balance	\$ (152,000)	\$ (151,987)	6,822	\$ 158,809
Fund balance at beginning of year			151,987	
Fund balance at end of year			\$ 158,809	

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Budgetary Comparison Schedule - Debt Service Fund

The District reports the following major debt service fund:

Debt Service Fund – These funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- Bond Redemption Fund – The revenues from a tax levy for the purpose of satisfying bonded indebtedness obligations, both principal and interest and related expenditures, shall be recorded in this fund.

AKRON SCHOOL DISTRICT R-1
Bond Redemption Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 525,000	\$ 530,000	\$ 540,297	\$ 10,297
Delinquent taxes and interest	1,500	1,800	2,077	277
Earnings on investments	400	400	246	(154)
Total revenues	526,900	532,200	542,620	10,420
Expenditures				
Debt service				
Principal	337,594	337,594	337,594	-
Interest and fiscal charges	180,002	180,002	180,001	1
Appropriated reserves	521,304	530,160		530,160
Total expenditures	1,038,900	1,047,756	517,595	530,161
Net change in fund balance	<u>\$ (512,000)</u>	<u>\$ (515,556)</u>	25,025	<u>\$ 540,581</u>
Fund balance at beginning of year			515,557	
Fund balance at end of year			<u>\$ 540,582</u>	

Budgetary Comparison Schedule - Capital Projects Fund

The District reports the following major capital projects fund:

Capital Projects Fund – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- Capital Reserve Capital Projects Fund – This fund is a capital projects fund used to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

**AKRON SCHOOL DISTRICT R-1
 Capital Reserve Capital Projects Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 1,000	\$ 1,000	\$ 896	\$ (104)
Total revenues	1,000	1,000	896	(104)
Expenditures				
Capital outlay				
Property	121,040	706,088	437,974	268,114
Debt service				
Principal			95,589	(95,589)
Interest and fiscal charges			25,451	(25,451)
Appropriated reserves	492,620	293,909		293,909
Total expenditures	613,660	999,997	559,014	440,983
Excess of revenues over (under) expenditures	(612,660)	(998,997)	(558,118)	440,879
Other financing sources				
Transfers in	150,000	150,000	150,000	-
Net change in fund balance	\$ (462,660)	\$ (848,997)	(408,118)	\$ 440,879
Fund balance at beginning of year			848,997	
Fund balance at end of year			\$ 440,879	

Budgetary Comparison Schedule - Fiduciary Fund

These funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds.

Private-purpose trust funds – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

- Scholarship Trust Fund – This fund is used to record the financial transactions related to the administration of a scholarship trust that is used to award scholarships to area students.

**AKRON SCHOOL DISTRICT R-1
Scholarship Trust Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Contributions and earnings	\$ 400	\$ 400	\$ 465	\$ 65
Total revenues	400	400	465	65
Expenditures				
Scholarship awards	2,000	2,000	2,000	-
Total expenditures	2,000	2,000	2,000	-
Change in net position	<u>\$ (1,600)</u>	<u>\$ (1,600)</u>	(1,535)	<u>\$ 65</u>
Net position at beginning of year			<u>40,482</u>	
Net position at end of year			<u>\$ 38,947</u>	

Single Audit Section

The Single Audit Section contains the following:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

AKRON SCHOOL DISTRICT R-1
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
Pass-through program from:			
Colorado Department of Human Services Donated Commodities	10.555	4555	\$ 10,385
Colorado Department of Education COVID-19 School Breakfast Program	10.553	4553	413
COVID-19 National School Lunch Program	10.555	4555	2,093
COVID-19 Summer Food Service Program for Children	10.559	4559	25,374
Summer Food Service Program for Children	10.559	4559	<u>173,301</u>
Total Child Nutrition Cluster/U.S. Department of Agriculture			211,566
U.S. Department of Education			
Rural Education	84.358	4358	30,378
Pass-through programs from:			
Colorado Department of Education:			
Title I Grants to Local Educational Agencies	84.010	4010	84,434
Supporting Effective Instruction State Grants	84.367	4367	15,363
COVID-19 Education Stabilization Fund	84.425U	4414	6,195
COVID-19 Education Stabilization Fund	84.425D	4420	28,699
COVID-19 Education Stabilization Fund	84.425D	4425	<u>56,780</u>
Total CFDA Number 84.425D			<u>85,479</u>
Total U.S. Department of Education			221,849
U.S. Department of the Treasury			
Pass-through program from:			
Colorado Department of Education			
COVID-19 Coronavirus Relief Fund	21.019	4012	324,058
COVID-19 Coronavirus Relief Fund	21.019	5012	<u>12,041</u>
Total CFDA Number 21.019/Total U.S. Department of the Treasury			<u>336,099</u>
Total expenditures of federal awards			<u><u>\$ 769,514</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

AKRON SCHOOL DISTRICT R-1
Notes to Schedule of Expenditures of Federal Awards

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Akron School District R-1 under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Akron School District R-1, it is not intended to and does not present the financial position, changes in net position, or cash flows of Akron School District R-1.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statement(s) of the federal program. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Cost Rate

Akron School District R-1 has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D – Subrecipients

Akron School District R-1 did not pass through any federal grants to subrecipients.

Note E – Nonmonetary assistance

Federal nonmonetary assistance is reported in the Schedule at the fair value of the items received and disbursed during the year. Akron School District R-1 received nonmonetary assistance for the year as follows:

CFDA No. 10.555	National School Lunch Program	\$ <u>10,385</u>
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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Education
Akron School District R-1
Akron, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Akron School District R-1 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 3, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 3, 2021



**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education
Akron School District R-1
Akron, Colorado

Report on Compliance for Each Major Program

We have audited the Akron School District R-1's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 3, 2021

**AKRON SCHOOL DISTRICT R-1
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Summary of audit results

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the Akron School District R-1 (the District).
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any findings relative to the major federal award programs of the District.
7. The program tested as major was:

Coronavirus Relief Fund	CFDA No. 21.019
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8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The District did not qualify as a low-risk auditee.

Findings – Financial statement audit

We noted no findings that are required to be reported under *Government Auditing Standards*.

Findings and Questioned Costs

We noted no findings or questioned costs that are required to be reported in accordance with the Uniform Guidance.

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**Colorado Department of Education
Supplementary Schedule**

Auditors' integrity report – This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.

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Independent Auditors' Report on Auditors' Integrity Report

Board of Education
Akron School District R-1
Akron, Colorado

We have audited the financial statements of the Akron School District R-1 (the District) as of and for the year ended June 30, 2021, and our report thereon dated November 3, 2021, which expressed an unmodified opinion on those financial statements, appears on pages 1-3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 3, 2021



Colorado Department of Education

Auditors Integrity Report

District: 3030 - Akron R-1

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	1,768,642	4,628,929	4,478,572	1,919,000
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	7,093	226,633	211,799	21,927
Sub-Total	1,775,735	4,855,562	4,690,370	1,940,927
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	13,856	240,955	199,347	55,464
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	151,987	171,315	164,493	158,809
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	515,556	542,621	517,595	540,582
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	848,997	150,896	559,014	440,879
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	3,306,132	5,961,349	6,130,819	3,136,661
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	40,482	464	2,000	38,947
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	40,482	464	2,000	38,947

FINAL