

SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
San Miguel County School District R-2J
Norwood, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Miguel County School District R-2J as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the San Miguel County School District R-2J's basic financial statements as listed in the table of contents.

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 San Miguel County School District R-2J, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the San Miguel County School District R-2J, and to meet other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Miguel County School District R-2J's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of



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not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 San Miguel County School District R-2J's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Miguel County School District R-2J's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund budgetary comparison information, and the pension and other post-employment benefit schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.



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Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Miguel County School District R-2J's basic financial statements. The combining and individual nonmajor fund financial statements, supplementary budgetary comparison schedules as listed in the table of contents, and the Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, supplementary budgetary comparison schedules as listed in the table of contents, and the Auditor's Integrity Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
March 10, 2023

Management’s Discussion and Analysis
San Miguel County (Norwood) School District R2-JT

June 30, 2022

As management of the Norwood School District R2-Jt. (the District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

Financial Highlights

The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$755,870 (net position). Of this amount, \$2,721,553 is invested in capital assets (net of related debt), \$119,943 is restricted for emergencies, and \$193,756 is restricted for debt service, leaving an unrestricted negative net position balance of (\$2,279,380).

At the end of the current fiscal year, fund balance for the general fund was \$2,753,525. This is attributable to a conservative approach in budgeting for the school district so the fund balance is covering at least three months of operating expenditures.

During the fiscal year, the fund balance in the District’s general fund increased by \$423,389.

The District’s long-term obligations decreased by \$270,000 as a result of current year payments on the debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District’s assets. Deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the 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 the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements only have governmental activities that are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include instructional services, pupil services, instructional staff services, general administration services, school administration services, maintenance and capital asset services, and transportation services. The government-wide financial

statements include only the District itself, as the District has no component units. The government-wide financial statements can be found on pages 9 and 10 of this report.

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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of the 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. By doing so, readers may better understand the impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Bond Redemption Debt Service Fund, and nonmajor governmental funds. The General Fund and Bond Redemption Fund are considered to be major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-15 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 can be found on pages 16-43 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$755,873 at the close of the most recent fiscal year. This swing in net position from a negative (\$2,042,197) in the previous year to a positive \$755,873 is due primarily to a decrease in the net pension and liability which was due in part to the contribution to PERA by the State of Colorado on behalf of the members of Colorado PERA.

The District's net position is in its net investment in capital assets (e.g., land and improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding, is \$2,721,553. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Property taxes are levied specifically to fund debt service on general obligation bonds.

**Norwood School District R2--Jt.'s Net Position
Governmental Activities Totals**

| | <u>2021</u> | <u>2022</u> |
|----------------------------------|-----------------------|---------------------|
| Current and Other Assets | \$ 3,096,516 | \$ 3,379,255 |
| Capital Assets | 2,609,934 | 2,822,565 |
| Total Assets | \$ 5,705,747 | \$ 6,301,820 |
| | | |
| Deferred Outflows | \$ 1,330,130 | \$ 830,420 |
| Current Liabilities | \$ 588,750 | \$ 349,472 |
| Long-term Liabilities | 108,756 | 2,575 |
| Net Pension Liability | 5,402,236 | 3,865,530 |
| Net OPEB Liability | 196,416 | 187,016 |
| Total Liabilities | \$ 6,296,158 | \$ 4,404,593 |
| | | |
| Deferred Inflows | \$ 2,781,916 | \$ 1,971,777 |
| Net Position: | | |
| Net Investment in Capital Assets | \$ 2,235,789 | \$ 2,721,553 |
| Restricted | 446,579 | 313,699 |
| Unrestricted | (4,724,565) | (2,279,380) |
| Total Net Position | \$ (2,042,197) | \$ 755,870 |

The District implemented GASB 68 and 75 in recent years, which address pension and OPEB liabilities and expenses. The result of the implementation of those standards is large noncurrent liabilities and a negative net position.

The largest portion of the district's assets (43%) reflects its investment in capital assets, less accumulated depreciation and association debt. 49% of the District's assets are cash and investments. 66% of the District's current liabilities represent accrued salaries and benefits. This liability occurs when teachers and certain other District employees work nine months out of the year but are paid over a full twelve months. Therefore, for each month these employees work, they earn more than they are paid. The liability will be paid in July 2022 with funds received in 2022.

There was a decrease in long-term liabilities outstanding of \$270,000 due to payment of debt obligations.

Governmental activities. Governmental activities increased the District's net position by \$2,798,067.

**Norwood School District R2-Jr's Changes in Net Position
Governmental Activities
Totals**

| | <u>2021</u> | <u>2022</u> |
|--|-----------------------|---------------------|
| Revenues: | | |
| Charges for Services | \$ 64,077 | \$ 214,410 |
| Operating Grants | 952,281 | 293,420 |
| Capital Grants | 168,297 | 492,794 |
| Property taxes levied for general purposes | 560,039 | 739,890 |
| Property taxes levied for debt services | 265,528 | 110,986 |
| State Equalization | 2,564,648 | 2,713,557 |
| Specific Ownership Taxes | 71,281 | 135,107 |
| Investment Earnings | 76 | 42 |
| Mineral Leases | 74 | 211 |
| Miscellaneous Revenue | 0 | 0 |
| Total General Revenue | \$ 3,461,646 | \$ 3,699,793 |
| Expenses: | | |
| Instructional Services | 1,781,333 | 721,118 |
| Support Services: | | |
| Pupils | 91,002 | 65,080 |
| Instructional Staff | 78,301 | 324,525 |
| General Administration | 121,374 | 124,347 |
| School Administration | 153,671 | 76,875 |
| Operations/Maintenance | 343,483 | 283,566 |
| Pupil Transportation | 89,974 | 79,218 |
| Interest on Long-Term Debt | 9,787 | 3,682 |
| Depreciation-Unallocated | 17,313 | 17,313 |
| Food Services | 74,090 | 86,944 |
| Central Services | 104,626 | 120,075 |
| Total Expenses | \$ 2,864,954 | \$ 1,902,741 |
| Change in Net Position | \$ 1,781,347 | \$ 2,798,067 |
| Net Position Beginning | (3,823,544) | (2,042,197) |
| Changes in Accounting Principle | 0 | 0 |
| Net Position Beginning, Restated | (3,823,544) | (2,042,197) |
| Net Position Ending | \$ (2,042,197) | \$ 755,870 |

Key elements of the change in net position are as follows:

State equalization aid increased by \$148,909 during the fiscal year. Property taxes levied for general purposes and for debt service decreased. Some of the increase is the product of the Colorado Public School Finance Act, which provides for the majority of the funding of local school districts based on a funded pupil count formula and a standardized maximum statewide property tax mill levy. GASB 68 and 75 caused decreases in many expense categories this year due to changes in PERA funding and benefit factors.

General fund expenditures were under budget by \$2,896,597. While all staff received a longevity step increase in their salary, the District took steps to reduce expenditures in other areas. Salary and benefit expenditures account for 70% of total expenditures in the general fund.

The implementation of GASB 68 and 75 continue to have a major impact on the net position and expenses of the District in the statement of activities and statement of net position.

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,167,020. *Unassigned fund balance* is \$2,633,582. Restricted fund balance of \$119,943 must be set aside for emergencies (Tabor).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance was \$2,753,525.

The fund balance of the District's General Fund increased by \$423,389 during the current fiscal year.

General Fund Budgetary Highlights

There were minor amendments to the General Fund budget, but there were no significant variances from budget to actual noteworthy.

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2022 amount to \$2,822,565 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and vehicles and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was due to depreciation.

Long-term debt. At the end of the current fiscal year, the District had total outstanding debt of \$100,000. This amount represents general obligation bonds that are backed by the full faith and credit of the District. The general obligation bonds maintain a rating of "AAA" from Standard & Poor's. State statutes limit the amount of general obligation debt a governmental entity may issue to 20% of its total assessed valuation. The current debt limitation for the District is \$10,458,57 which is significantly in excess of the District's outstanding general obligation debt.

Economic Factors and Next Year's Budgets

The District's enrollment decreased again, continuing the declining student count that decreases money from the State. This trend could continue with the way the current economy is. Trends in enrollment directly impact the school district's budget for funding. Rising inflation costs and State budget cuts will directly affect the State of Colorado's funding formula for school districts in the future.

Ever-rising costs of health insurance for our staff benefit program means the District has to be very resourceful in purchasing goods and services. Salary increases to our staff are better keeping up with inflation since prior year passage of additional tax revenues.

In November 2000, voters in Colorado approved Amendment 23 to the Colorado constitution providing that K-12 funding would increase at pupil growth plus inflation plus one percent for 10 years and thereafter, growth plus inflation. The amendment created a State Education Fund, which was intended to accumulate revenues to support this level of funding. This provision was intended to stabilize and remove funding from the political process.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Norwood School District R2- JT, Business Manager, and P.O. Box 448, Norwood, Colorado 81423.

San Miguel County School District R-2J

STATEMENT OF NET POSITION

June 30, 2022

| | Governmental | |
|--|--------------------|--------------------|
| | Activities | Total |
| ASSETS | | |
| Cash and investments | \$ 2,948,562 | \$ 2,948,562 |
| Restricted cash and investments | 186,442 | 186,442 |
| Receivables | | |
| Property tax | 164,287 | 164,287 |
| Grant receivables | 171,294 | 171,294 |
| Intergovernmental | 3,500 | 3,500 |
| Inventories | 5,170 | 5,170 |
| Capital assets (net of accumulated depreciation) | 2,822,565 | 2,822,565 |
| | <u>6,301,820</u> | <u>6,301,820</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension related deferred outflows | 808,992 | 808,992 |
| OPEB related deferred outflows | 19,865 | 19,865 |
| Deferred loss on debt refunding | 1,563 | 1,563 |
| | <u>830,420</u> | <u>830,420</u> |
| LIABILITIES | | |
| Accounts payable | 36,209 | 36,209 |
| Accrued salaries and benefits | 144,342 | 144,342 |
| Accrued interest payable | 205 | 205 |
| Unearned revenues | 35,769 | 35,769 |
| Noncurrent liabilities: | | |
| Due within one year: | | |
| General obligation bonds | 100,000 | 100,000 |
| Compensated absences | 32,947 | 32,947 |
| Due in more than one year: | | |
| General obligation bonds | 2,575 | 2,575 |
| Net pension liability | 3,865,530 | 3,865,530 |
| Net OPEB liability | 187,016 | 187,016 |
| | <u>4,404,593</u> | <u>4,404,593</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related deferred inflows | 1,887,164 | 1,887,164 |
| OPEB related deferred inflows | 84,613 | 84,613 |
| | <u>1,971,777</u> | <u>1,971,777</u> |
| NET POSITION | | |
| Net investment in capital assets | 2,721,553 | 2,721,553 |
| Restricted for emergencies | 119,943 | 119,943 |
| Restricted for debt service | 193,754 | 193,754 |
| Unrestricted | <u>(2,279,380)</u> | <u>(2,279,380)</u> |
| | <u>\$ 755,870</u> | <u>\$ 755,870</u> |
| Total net position | | |

The notes to the financial statements are an integral part of this statement.

San Miguel County School District R-2J

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Total |
|--|---------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------|
| Governmental activities | | | | | | |
| Instructional services | \$ 721,118 | \$ 108,832 | \$ 244,636 | \$ 492,794 | \$ 125,144 | \$ 125,144 |
| Support services: | | | | | | |
| Pupils | 65,080 | - | 62,482 | - | (2,598) | (2,598) |
| Instructional staff | 324,525 | - | 18,366 | - | (306,159) | (306,159) |
| General administrator | 124,347 | - | (58,621) | - | (182,968) | (182,968) |
| School administrator | 76,875 | - | - | - | (76,875) | (76,875) |
| Operations and maintenance | 283,566 | - | - | - | (283,566) | (283,566) |
| Pupil transportation | 79,218 | - | 21,333 | - | (57,885) | (57,885) |
| Central services | 120,075 | - | - | - | (120,075) | (120,075) |
| Food service | 86,944 | 105,969 | 5,224 | - | 24,249 | 24,249 |
| Interest on long-term deb | 3,682 | - | - | - | (3,682) | (3,682) |
| Depreciation - unallocated | 17,313 | - | - | - | (17,313) | (17,313) |
| Total governmental activities: | <u>\$ 1,902,741</u> | <u>\$ 214,801</u> | <u>\$ 293,420</u> | <u>\$ 492,794</u> | <u>(901,726)</u> | <u>(901,726)</u> |
| General revenues | | | | | | |
| Property taxes levied for general purposes | | | | | 739,890 | 739,890 |
| Property taxes levied for debt service | | | | | 110,986 | 110,986 |
| State equalization | | | | | 2,713,557 | 2,713,557 |
| Specific ownership taxes | | | | | 135,107 | 135,107 |
| Investment earnings | | | | | 42 | 42 |
| Other taxes including mineral lease: | | | | | 211 | 211 |
| Total general revenues | | | | | <u>3,699,793</u> | <u>3,699,793</u> |
| Change in net position | | | | | <u>2,798,067</u> | <u>2,798,067</u> |
| Net position - beginning | | | | | <u>(2,042,197)</u> | <u>(2,042,197)</u> |
| Net position - ending | | | | | <u>\$ 755,870</u> | <u>\$ 755,870</u> |

The notes to the financial statements are an integral part of this statement.

San Miguel County School District R-2J

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2022

| | General | Bond Redemption | Nonmajor Governmental | Total Governmental Funds |
|--|--------------|--------------------|--------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 2,747,795 | \$ 186,442 | \$ 200,767 | \$ 3,135,004 |
| Property tax receivable | 149,693 | 14,594 | - | 164,287 |
| Grant receivables | 171,294 | - | - | 171,294 |
| Due from other funds | - | - | 19,020 | 19,020 |
| Due from other governments | 3,500 | - | - | 3,500 |
| Inventory | - | - | 5,170 | 5,170 |
| | \$ 3,072,282 | \$ 201,036 | \$ 224,957 | \$ 3,498,275 |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 35,786 | \$ - | \$ 423 | \$ 36,209 |
| Accrued salaries and benefits | 139,549 | - | 4,793 | 144,342 |
| Unearned revenue | 35,769 | - | - | 35,769 |
| Due to other funds | 19,020 | - | - | 19,020 |
| | 230,124 | - | 5,216 | 235,340 |
| Total liabilities | | | | |
| Deferred inflows | | | | |
| Property taxes | 88,633 | 7,282 | - | 95,915 |
| | 88,633 | 7,282 | - | 95,915 |
| Total deferred inflows | | | | |
| Fund balances | | | | |
| Nonspendable | - | - | 5,170 | 5,170 |
| Restricted - TABOR reserve | 119,943 | - | - | 119,943 |
| Restricted for debt service | - | 193,754 | - | 193,754 |
| Assigned for food service | - | - | 117,724 | 117,724 |
| Assigned for student activities | - | - | 96,847 | 96,847 |
| Unassigned | 2,633,582 | - | - | 2,633,582 |
| | 2,753,525 | 193,754 | 219,741 | 3,167,020 |
| Total fund balances | | | | |
| Total liabilities, deferred inflows and fund balances | | | | |
| | \$ 3,072,282 | \$ 201,036 | \$ 224,957 | \$ 3,498,275 |

The notes to the financial statements are an integral part of this statement.

San Miguel County School District R-2J

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

June 30, 2022

| | | |
|--|----|-----------------------|
| Amount reported for governmental activities in the statement of net position are different because: | | |
| Total fund balance - governmental funds | \$ | 3,167,020 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is 7,101,758 and the accumulated depreciation is (4,279,193) | | 2,822,565 |
| Deferred loss on the refunding is not a current financial resource and, therefore, is not reported in the funds. | | 1,563 |
| Net pension and OPEB obligations and the related deferred items are not financial resources and, therefore, are not recorded in the funds. The assessed value of the net pension obligation is (\$3,865,530), the net OPEB obligation is (187,016), deferred outflows total \$828,857, and deferred inflows total (\$1,971,776). | | (5,195,466) |
| In the governmental funds, property taxes receivable collected greater than 60 days after year-end are recognized as deferred inflows of resources. | | 95,915 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Long-term bonds | | (100,000) |
| Bond premium | | (2,575) |
| Compensated absences | | <u>(135,522)</u> |
| Interest accrued on long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds. | | <u>(205)</u> |
| Total net position - governmental activities | \$ | <u><u>755,870</u></u> |

The notes to the financial statements are an integral part of this statement.

San Miguel County School District R-2J

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2022

| | General | Bond Redemption | Nonmajor Governmental Fund | Total Governmental Funds |
|---|--------------|--------------------|----------------------------------|--------------------------------|
| Revenues | | | | |
| Local sources | \$ 914,925 | \$ 110,478 | \$ 52,429 | \$ 1,077,832 |
| State sources | 3,137,890 | - | 504 | 3,138,394 |
| Federal sources | 370,543 | - | 98,964 | 469,507 |
| Interest and other revenues | 42 | 25,049 | - | 25,091 |
| Total revenues | 4,423,400 | 135,527 | 151,897 | 4,710,824 |
| Expenditures | | | | |
| Current | | | | |
| Instruction | 1,902,961 | - | - | 1,902,961 |
| Supporting services | 1,748,030 | - | - | 1,748,030 |
| Food service | - | - | 136,440 | 136,440 |
| Student activities | - | - | 25,371 | 25,371 |
| Capital outlay | 269,020 | - | - | 269,020 |
| Debt service, interest and fiscal charges | - | 6,675 | - | 6,675 |
| Debt service principal | - | 270,000 | - | 270,000 |
| Total expenditures | 3,920,011 | 276,675 | 161,811 | 4,358,497 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 503,389 | (141,148) | (9,914) | 352,327 |
| Other financing sources (uses) | | | | |
| Transfers in (out) | (80,000) | - | 80,000 | - |
| | (80,000) | - | 80,000 | - |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | 423,389 | (141,148) | 70,086 | 352,327 |
| Fund balances beginning of year | 2,330,136 | 334,902 | 149,655 | 2,814,693 |
| Fund balance end of year | \$ 2,753,525 | \$ 193,754 | \$ 219,741 | \$ 3,167,020 |

The notes to the financial statements are an integral part of this statement.

San Miguel County School District R-2J

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2022

| | |
|---|---------------------|
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Net change in fund balances - total governmental funds | \$ 352,327 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay was exceeded by depreciation in the current period. (\$437,332-223,998) | 213,334 |
| In the governmental funds, expenditures for the defined benefit pension and OPEB plans are measured by the amount of financial resources used, whereas in the statement of activities they are measured as the liability is accrued according to actuarial estimates. This is the amount the net pension and OPEB liabilities, with accompanying deferred outflows/inflows, changed in the current year. | 1,860,286 |
| In the governmental funds, property tax receivable balances are only recognized as revenues if they are collected within 60 days of the end of the year, with the remaining balance of the receivable recognized as deferred inflows. This is the adjustment to recognize the full revenue related to outstanding property taxes receivable. | 95,915 |
| Governmental funds report repayment of debt principal as an expenditure. Also, governmental funds report the effect of debt premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt is as follows: | |
| Debt principal payments | 270,000 |
| Change in early retirement and compensated absences payable | 3,212 |
| Change in accrued interest payable | 563 |
| Amortization of deferred loss on debt refunding | (3,751) |
| Accretion on bond premium | <u>6,181</u> |
| Change in net position of governmental activities | <u>\$ 2,798,067</u> |

The notes to the financial statements are an integral part of this statement.

San Miguel County School District R-2J
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of San Miguel County School District R-2J (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles.

The following is a summary of the District’s significant accounting policies:

The Reporting Entity

The District is governed by a five-member Board of Education and is organized and operates in accordance with Colorado statutes. Board of Education members are elected by the citizens of San Miguel County, not appointed by any other governing body. The Board selects the superintendent of schools and senior level administrators. The Board is solely responsible for the District’s budget adoption process. The District independently issues debt for short and long-term financing. The District meets the criteria of a primary government: its Board is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity and has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

The *Bond Redemption Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the government reports the following fund types:

The *Student Activities Fund* (a special revenue fund type) accounts for activities mostly directed by students and resources are obtained through fund raising.

The *Food Service Fund* (a special revenue fund type) accounts for the activities of the nutrition services operations.

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund activity is not eliminated in the fund financial statements.

Amounts reported as *program revenues* include 1) charges to students and customers for tuition, fees, rental or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Assets, Liabilities and Net Position or Equity

Cash and Investments

State statutes authorize the government and the District to invest in obligations of the U.S. Treasury, obligations unconditionally guaranteed by U.S. agencies, certain international agency securities, certain types of bonds of U.S. local government entities, bankers' acceptances of certain banks, commercial paper, written repurchase agreements collateralized by certain authorized securities, certain money market funds and guaranteed investment contracts.

Investments for the government are reported at fair value.

Receivables and Payables

Interfund receivables and payables result from overdraws of the cash and investment pool. These outstanding balances between funds are reported as "due to/from other funds."

Inventories

Inventories of expendable supplies and materials are valued at cost using the first-in, first-out basis. Inventory items are charged to expenditures when they are consumed. United States Department of Agriculture commodity inventories are valued using Federal guidelines.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

San Miguel County School District R-2J
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------------------|--------------|
| Buildings and building improvements | 05 - 40 |
| Land improvements | 10 - 20 |
| Vehicles | 05 - 10 |
| Equipment | 03 - 20 |

Future Compensated Absences

Vacation vests and accumulates; however, personal leave does not vest or accumulate. Sick leave does vest and accumulate up to 30 days and can be paid through the District buy-back program. This program pays at a varying rates per day. The employee can choose to be paid annually or can accumulate up to 30 days and then be paid any excess days annually. Any days remaining at termination or retirement are paid at the varying per day rates.

Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example as a result of employee resignations and retirements.

Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Stewardship, compliance, and accountability

Budgetary Information

Annual budgets are adopted for all funds on a basis consistent with GAAP. In June, the Board of Education adopts the budget for the following fiscal year. In accordance with Colorado statutes, the Board makes final changes, if any, when it “re-adopts” the budget by January 2022. The Board may amend or adopt supplemental budgets during the budget year. There was one supplemental appropriation during the current year.

San Miguel County School District R-2J
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Budgeted level of expenditures

Expenditures may not legally exceed appropriations at the fund level. Administrative control is maintained through the use of detailed line-item budgets. Budgets must be amended at the fund level by the Board of Education. At year-end, all appropriations lapse in accordance with Colorado statutes.

Pensions

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

Defined Benefit Other Post Employment Benefit (OPEB) Plan

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

NOTE B – CASH AND INVESTMENTS

Cash and investments consist of the following:

| | |
|----------------------|---------------------|
| Demand accounts | \$ 2,948,562 |
| Money market | <u>186,442</u> |
| Total | 3,135,004 |
| Less restricted cash | <u>186,442</u> |
| Unrestricted cash | <u>\$ 2,948,562</u> |

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Restricted cash and investments consist of \$186,442 for debt service.

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

NOTE C – PROPERTY TAXES

Revenue Recognized in 2022

Local property taxes levied for 2021 and collected by June 30, 2022 are recognized as revenue in these financial statements as shown below:

| | Assessed <u>Valuation</u> | Mill | | Amount of Taxes | | Percent Collected of | |
|----------------------|------------------------------|-------------|---------------|-----------------|------------------|----------------------|-----------------|
| | | <u>Levy</u> | <u>Levied</u> | <u>Budgeted</u> | <u>Collected</u> | <u>Levied</u> | <u>Budgeted</u> |
| General fund | \$ 52,382,888 | 12.522 | \$655,939 | \$677,199 | \$572,568 | 87.29% | 84.49% |
| Debt service fund | \$ 52,382,888 | 1.500 | 78,574 | 276,717 | 107,455 | 136.75% | 38.83% |

Property taxes are assessed on a calendar year basis. The mill levies noted here are for the 2021 calendar year. The monies collected are for the period July 1, 2021 through June 30, 2022.

The district had significant receivables at June 30, 2022 for delinquent property taxes. The District continues to collect these delinquent balances.

Property Tax Calendar

The District's property taxes certified by the Board of Education by December 14 and levied on assessed valuation by the County Commissioners by December 15, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. The taxes are payable under two methods: 1) in full on or before April 30, 2) one-half on or before February 28 and the remaining one-half on or before June 15. The County Treasurer collects all property taxes. District taxes are received by the 10th of the month following the month of collection, except for the month of June, when two payments are received.

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE D – CAPITAL ASSETS

| | Beginning Balance | Additions | Disposals | Ending Balance |
|---|----------------------|------------|-----------|-------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ - | \$ 437,332 | \$ - | \$ 437,332 |
| Land | 46,012 | - | - | 46,012 |
| Total capital assets, not being depreciated | 46,012 | 437,332 | - | 483,344 |
| Capital Assets, being depreciated: | | | | |
| Buildings | 4,995,681 | - | - | 4,995,681 |
| Land improvements | 158,884 | - | - | 158,884 |
| Vehicles and equipment | 1,463,849 | - | - | 1,463,849 |
| Total capital assets, being depreciated | 6,618,414 | - | - | 6,618,414 |
| Less accumulated depreciation for: | | | | |
| Buildings | (2,953,310) | (112,660) | - | (3,065,970) |
| Land Improvements | (124,217) | (3,068) | - | (127,285) |
| Vehicles and equipment | (977,668) | (108,270) | - | (1,085,938) |
| Total accumulated depreciation | (4,055,195) | (223,998) | - | (4,279,193) |
| Total capital assets being depreciated, net | 2,563,219 | (223,998) | - | 2,339,221 |
| Governmental activities capital assets, net | \$ 2,609,231 | \$ 213,334 | - | \$ 2,822,565 |

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

| | |
|-------------------------------------|----------------|
| Governmental activities: | |
| Instructional services | \$ 154,144 |
| Instructional staff services | 13,375 |
| General administration services | 6,294 |
| Operations and maintenance services | 6,975 |
| Pupil transportation services | 25,897 |
| Depreciation – unallocated | <u>17,313</u> |
| Total depreciation expense | \$ 223,998 |
| governmental activities | <u>223,998</u> |

San Miguel County School District R-2J
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE E – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions of the District for the year ended June 30, 2022:

| | Balance 6/30/21 | Additions | Reductions | Balance 6/30/22 | Due within one year |
|-----------------------------|--------------------|-------------|-------------------|--------------------|------------------------|
| General obligation bonds | \$370,000 | - | \$ 270,000 | \$ 100,000 | \$ 100,000 |
| Bond premium | 8,756 | - | 6,181 | 2,575 | 2,575 |
| Future compensated absences | 39,160 | - | 6,213 | 32,947 | 32,947 |
| | <u>\$ 417,916</u> | <u>\$ -</u> | <u>\$ 282,394</u> | <u>\$ 135,522</u> | <u>\$ 135,522</u> |

General Obligation Refunding Bonds

On September 4, 2014, the District issued \$1,885,000 in general obligation serial bonds with interest rates varying between 2.00% and 2.50%. The District issued bonds to advance refund \$1,845,000 of the outstanding series 2004 general obligation bonds. There are no defeased bonds outstanding at June 30, 2022.

The issuance of the debt resulted in a premium of \$50,990. This is being amortized over the life of the bonds. The balance of the premium at June 30, 2022 is \$2,575.52.

Debt service requirements for general obligation bonds are as follows:

| Maturity June 30 | Principal | Interest | Total |
|---------------------|-------------------|-----------------|-------------------|
| 2023 | <u>\$ 100,000</u> | <u>\$ 1,250</u> | <u>\$ 101,250</u> |
| Total | <u>\$ 100,000</u> | <u>\$ 1,250</u> | <u>\$ 101,250</u> |

NOTE F – FUND BALANCES

GASB Statement No. 54 clearly defines fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements, the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision-making authority, the School Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the School Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the School Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is District policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned.

NOTE G – DEFINED BENEFIT 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 annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2021. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

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

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

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

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, 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 the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. 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 the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

Contributions provisions as of 6/30/2022: Eligible employees of, the District and the State are required to contribute to the **SCHDTF** at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.50% of their PERA-includable salary during the period of July 1, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below: E

| | July 1, 2021 Through June 30, 2022 |
|--|--|
| Employer contribution rate | 10.90% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | (1.02%) |
| Amount apportioned to the SCHDTF | 9.88% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 | 4.50% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 5.50% |
| Total employer contribution rate to the SCHDTF | 19.88% |

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$392,602 for the year ended 6/30/2022.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a non-employer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. The District’s proportion of the net pension liability was based on the District’s contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a non-employer contributing entity.

At 6/30/2022, the District reported a liability of \$3,865,529 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a non-employer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a non-employer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|--------------|
| The District’s proportionate share of the net pension liability | \$ 3,865,530 |
| The State’s proportionate share of the net pension liability as a non-employer contributing entity associated with the District | 397,559 |
| Total | \$ 4,263,089 |

At December 31, 2021, the District’s proportion was 0.033217%, which was a decrease of 0.002571% from its proportion measured as of December 31, 2020.

For the year ended 6/30/2022, the District recognized pension expense of \$(1,395,698) and revenue of \$105,931 for support from the State as a non-employer contributing entity. At 6/30/2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience | \$147,988 | \$- |
| Changes of assumptions or other inputs | 295,104 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,453,323 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 171,334 | 433,841 |
| Contributions subsequent to the measurement date | 194,566 | N/A |
| Total | \$808,992 | \$1,887,164 |

\$194,566 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended 6/30/2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended 6/30/2022 | |
|-----------------------------|-------------|
| 2023 | \$(223,150) |
| 2024 | (480,562) |
| 2025 | (392,624) |
| 2026 | (176,402) |
| 2027 | - |
| Thereafter | - |

Actuarial assumptions. The TPL in the December 31, 2020, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

| | |
|---|-----------|
| 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% |

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Post-retirement benefit increases:

| | |
|--|---------------------|
| PERA benefit structure hired prior to 1/1/07 | 1.00% |
| and DPS benefit structure (compounded annually) | |
| 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.

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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

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% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% 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% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% 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% of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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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.

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

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

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

Note: 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%.

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.

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- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a non-employer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- 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 and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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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% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension | \$5,689,743 | \$3,865,530 | \$2,343,291 |

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

NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (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, and 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 by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) 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

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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.

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

Enrollment in the PERACare health benefits program 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% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

DPS Benefit Structure

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

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entitled to Medicare. The maximum service-based subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% 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 \$20,143 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$187,016 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the District's proportion was 0.021688%, which was an increase of 0.001017% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$41,504. At 6/30/2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience | \$285 | \$44,344 |
| Changes of assumptions or other inputs | 3,872 | 11,576 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 10,145 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 5,725 | 18,548 |
| Contributions subsequent to the measurement date | 9,983 | N/A |
| Total | \$19,865 | \$84,613 |

\$9,983 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended 6/30/2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended 6/30/2022 | |
|-----------------------------|------------|
| 2023 | \$(22,975) |
| 2024 | (23,423) |
| 2025 | (20,368) |
| 2026 | (7,342) |
| 2027 | (581) |
| Thereafter | (42) |

Actuarial assumptions. The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

| | State Division | School Division | Local Government Division | Judicial Division |
|--|----------------|-----------------|---------------------------|-------------------|
| Actuarial cost method | | | | |
| Price inflation | | | Entry age | |
| Real wage growth | | | 2.30% | |
| Wage inflation | | | 0.70% | |
| Salary increases, including wage inflation | | | 3.00% | |
| Members other than State Troopers | 3.30%-10.90% | 3.40%-11.00% | 3.20%-11.30% | 2.80%-5.30% |

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| | | | | |
|--|--------------|-----|---|-----|
| State Troopers | 3.20%-12.40% | N/A | 3.20%-12.40% | N/A |
| 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 | | | 4.50% in 2021, 6.00% in 2022 gradually decreasing to 4.50% in 2029 | |
| Medicare Part A premiums | | | 3.75% in 2021, 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 | |

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

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

| Medicare Plan | Monthly Cost | Monthly Premium | Monthly Cost Adjusted to Age 65 |
|--|---------------------|------------------------|--|
| Medicare Advantage/Self-Insured Rx | \$633 | \$230 | \$591 |
| Kaiser Permanente Medicare Advantage HMO | 596 | 199 | 562 |

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

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

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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, 2020, 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 TOL are summarized in the table below:

| Year | PERACare | Medicare Part A |
|-------|----------------|-----------------|
| | Medicare Plans | Premiums |
| 2021 | 4.50% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.80% | 4.00% |
| 2024 | 5.60% | 4.00% |
| 2025 | 5.40% | 4.00% |
| 2026 | 5.10% | 4.25% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

Mortality assumptions used in the December 31, 2020, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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.

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

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

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

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

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% 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% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% 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% of the rates for all ages, with generational projection using scale MP-2019.

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- **Females:** 105% 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% of the rates for all ages with generational projection using scale MP-2019.

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

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

- 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 2021 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 PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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.

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.

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As of the most recent reaffirmation of the long-term rate of return, the target asset allocation, and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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

Note: 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%.

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

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|---------------------------------------|----------------------------|---------------------|----------------------------|
| Initial PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Ultimate PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A trend rate | 2.75% | 3.75% | 4.75% |
| Ultimate Medicare Part A trend rate | 3.50% | 4.50% | 5.50% |
| Net OPEB Liability | \$181,645 | \$187,016 | \$193,237 |

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, measurement date.

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- 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%.
- 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 be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|----------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$217,199 | \$187,016 | \$161,234 |

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

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NOTE I – DEFINED CONTRIBUTION PLAN

Funding Policy. The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS. The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. The District made no contributions for the fiscal years ended June 30, 2019, 2020, 2021, and 2022.

NOTE J – 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 has established the Self-Insurance bank account to finance its uninsured risks of loss for employee health insurance. The District purchases commercial insurance for claims in excess of coverage for health insurance. The District purchases commercial insurance for worker's compensation, general liability, and property insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years. No material claims payable exist as of June 30, 2022.

NOTE K – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes that it is in compliance with the requirements of the Amendment. However, the District has made certain interpretations of the Amendment's language in order to determine its compliance.

NOTE L– JOINT VENTURE

The District is a member of the Uncompahgre Board of Cooperative Services (BOCS), a joint venture of several local school districts. The BOCS is governed by a board formed of one board member from each member district. The participants oversee budgeting and finance. The following was extracted from the BOCS fund financial statements of June 30, 2022.

| | |
|--|------------|
| Total assets | \$ 424,608 |
| Total liabilities | 117,834 |
| Total fund equity | 306,774 |
| Total revenues | 1,432,818 |
| Total expenditures | 1,432,311 |
| Excess of revenues over (under) expenditures | 507 |

The District had no debt with the joint venture at June 30, 2022.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE M – INTERFUND TRANSFERS AND RECEIVABLE/PAYABLES

The General Fund transferred \$80,000 to the Food Service Fund to subsidize operations. The Food Service Fund owes the General Fund \$19,020.

REQUIRED SUPPLEMENTARY INFORMATION

San Miguel County School District R-2J

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

Year ended June 30, 2022

| | Original Budget | Final Budget | Actual | Variance | |
|--|--------------------|--------------------|------------------|------------------|---------------|
| | | | | Favorable | (Unfavorable) |
| Revenues | | | | | |
| Current property taxes | \$ 607,700 | \$ 677,449 | \$ 651,258 | \$ (26,191) | |
| Specific ownership taxes | 10,744 | 12,365 | 103,282 | 90,917 | |
| State equalization | 2,723,517 | 2,689,347 | 2,713,557 | 24,210 | |
| Transportation | 15,000 | 20,879 | 21,333 | 454 | |
| Federal sources | 440,309 | 459,750 | 370,543 | (89,207) | |
| State sources, other | 83,736 | 594,221 | 403,000 | (191,221) | |
| Interest income | 60 | 60 | 42 | (18) | |
| Other | 87,401 | 112,401 | 160,385 | 47,984 | |
| Total revenues | 3,968,467 | 4,566,472 | 4,423,400 | (143,072) | |
| Expenditures | | | | | |
| Current | | | | | |
| Instruction | 2,165,199 | 2,236,718 | 1,902,961 | 333,757 | |
| Supporting services | | | | | |
| Pupils | 150,443 | 199,943 | 157,243 | 42,700 | |
| Instructional staff | 190,691 | 194,643 | 336,077 | (141,434) | |
| General administration | 312,592 | 359,292 | 286,116 | 73,176 | |
| School administration | 219,923 | 261,773 | 244,467 | 17,306 | |
| Operations and maintenance | 522,550 | 1,046,810 | 418,201 | 628,609 | |
| Pupil transportation | 234,200 | 236,200 | 121,960 | 114,240 | |
| Central services | 210,740 | 226,240 | 183,966 | 42,274 | |
| Capital outlay | 118,785 | 575,220 | 269,020 | 306,200 | |
| Contingency | 1,663,344 | 1,479,769 | - | 1,479,769 | |
| Total expenditures | 5,788,467 | 6,816,608 | 3,920,011 | 2,896,597 | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,820,000) | (2,250,136) | 503,389 | 2,753,525 | |
| Other financing sources (uses) | | | | | |
| Transfers in (out) | (80,000) | (80,000) | (80,000) | - | |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | (1,900,000) | (2,330,136) | 423,389 | 2,753,525 | |
| Fund balance beginning of year | 1,900,000 | 2,330,136 | 2,330,136 | - | |
| Fund balance end of year | \$ - | \$ - | \$ 2,753,525 | \$ 2,753,525 | |

San Miguel County School District R-2J

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2022

| Measurement date: | Employer proportion of NPL | Employer proportionate share of NPL | Nonemployer contributing entity | | Total of employer and nonemployer proportionate share of NPL | Covered payroll | Employer proportionate share of NPL as a percentage of covered payroll | Pension plan's fiduciary net position as a percentage of total pension liability |
|-------------------|----------------------------|-------------------------------------|---|----------------------------|--|-----------------|--|--|
| | | | proportionate share of NPL associated with employer | proportionate share of NPL | | | | |
| December 31, 2015 | 0.045386% | \$ 6,941,456 | \$ - | \$ 6,941,456 | \$ 1,977,906 | 351% | 59% | |
| December 31, 2016 | 0.042341% | 12,606,618 | - | 12,606,618 | 1,899,814 | 664% | 43% | |
| December 31, 2017 | 0.041360% | 13,374,234 | - | 13,374,234 | 1,906,570 | 701% | 44% | |
| December 31, 2018 | 0.034779% | 6,158,286 | 740,770 | 6,899,056 | 1,886,726 | 326% | 57% | |
| December 31, 2019 | 0.031591% | 4,719,623 | 531,243 | 5,250,866 | 1,856,447 | 254% | 65% | |
| December 31, 2020 | 0.035734% | 5,402,236 | - | 5,402,236 | 1,911,491 | 283% | 67% | |
| December 31, 2021 | 0.033217% | 3,865,529 | 397,559 | 4,263,088 | 2,075,929 | 186% | 75% | |

San Miguel County School District R-2J

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2022

| | Required employer contribution | Employer contributions recognized by the plan | Difference | Covered payroll | Contributions as a percentage of covered payroll |
|---------------|--------------------------------------|--|------------|--------------------|--|
| June 30, 2016 | \$ 340,402 | \$ 340,402 | \$ - | \$ 1,977,906 | 17.21% |
| June 30, 2017 | 347,543 | 347,543 | - | 1,890,886 | 18.38% |
| June 30, 2018 | 364,185 | 364,185 | - | 1,929,060 | 18.88% |
| June 30, 2019 | 358,864 | 358,864 | - | 1,875,919 | 19.13% |
| June 30, 2020 | 368,691 | 368,691 | - | 1,902,427 | 19.38% |
| June 30, 2021 | 401,566 | 401,566 | - | 2,019,947 | 19.88% |
| June 30, 2022 | 392,602 | 392,602 | - | 1,974,839 | 19.88% |

San Miguel County School District R-2J

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2022

| Measurement date: | Employer | Employer | Covered | Employer | Employer | OPEB plan's |
|-------------------|-------------------------|-------------------------------------|--------------|---|--|--|
| | proportion of NOPEBL | proportionate share of NOPEBL | payroll | proportionate share of NOPEBL as a percentage of covered payroll | proportionate share of NOPEBL as a percentage of total OPEB liability | fiduciary net position as a percentage of total OPEB liability |
| December 31, 2018 | 0.022606% | \$ 307,569 | \$ 1,886,726 | 16% | 17.03% | |
| December 31, 2019 | 0.020646% | 232,066 | 1,856,447 | 13% | 24.49% | |
| December 31, 2020 | 0.020670% | 196,416 | 1,911,491 | 10% | 32.78% | |
| December 31, 2021 | 0.021688% | 187,016 | 2,075,929 | 9% | 39.40% | |

San Miguel County School District R-2J

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2022

| | Required employer contribution | Employer contributions recognized by the plan | Difference | Covered payroll | Contributions as a percentage of covered payroll |
|---------------|--------------------------------------|--|------------|--------------------|--|
| June 30, 2019 | \$ 19,134 | \$ 19,134 | \$ - | \$ 1,875,919 | 1.02% |
| June 30, 2020 | 19,405 | 19,405 | - | 1,902,427 | 1.02% |
| June 30, 2021 | 20,603 | 20,603 | - | 1,974,839 | 1.04% |
| June 30, 2022 | 20,143 | 20,143 | - | 1,974,839 | 1.02% |

San Miguel County School District R-2J

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUND

Year ended June 30, 2022

| | Special Revenue | | | Total Nonmajor Governmental Funds |
|---|-------------------------|-------------------------------|----|--|
| | Food Service Fund | Student Activities Fund | | |
| Revenues | | | | |
| Local sources | \$ 11,724 | \$ 40,705 | \$ | 52,429 |
| State sources | 504 | - | | 504 |
| Federal sources | 98,964 | - | | 98,964 |
| | <u>111,192</u> | <u>40,705</u> | | <u>151,897</u> |
| Total revenues | | | | |
| Expenditures | | | | |
| Current | | | | |
| Food service | 136,440 | - | | 136,440 |
| Student activities | - | 25,371 | | 25,371 |
| | <u>136,440</u> | <u>25,371</u> | | <u>161,811</u> |
| Total expenditures | | | | |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (25,248) | 15,334 | | (9,914) |
| Other financing sources (uses) | | | | |
| Transfers in (out) | 80,000 | - | | 80,000 |
| | <u>80,000</u> | <u>-</u> | | <u>80,000</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | 54,752 | 15,334 | | 70,086 |
| Fund balances beginning of year | 68,142 | 81,513 | | 149,655 |
| Fund balance end of year | <u>\$ 122,894</u> | <u>\$ 96,847</u> | | <u>\$ 219,741</u> |

San Miguel County School District R-2J

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BOND REDEMPTION DEBT SERVICE FUND

Year ended June 30, 2022

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|-----------------|-------------------|--|
| Revenues | | | | |
| Property and specific ownership taxes | \$ 276,717 | \$ 276,717 | \$ 110,478 | \$ (166,239) |
| Interest income | 8 | 8 | 25,049 | 25,041 |
| Total revenues | <u>276,725</u> | <u>276,725</u> | <u>135,527</u> | <u>(141,198)</u> |
| Expenditures | | | | |
| Debt service principal | 275,875 | 275,875 | 270,000 | 5,875 |
| Interest and fiscal charges | 850 | 850 | 6,675 | (5,825) |
| Total expenditures | <u>276,725</u> | <u>276,725</u> | <u>276,675</u> | <u>50</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | - | (141,148) | (141,148) |
| Fund balance beginning of year | - | - | 334,902 | 334,902 |
| Fund balance end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 193,754</u> | <u>\$ 193,754</u> |

San Miguel County School District R-2J

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

Year ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) |
|---|------------------|-----------|------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Local sources | \$ 3,350 | \$ 3,350 | \$ 11,724 | \$ 8,374 |
| State sources | - | 504 | 504 | - |
| Federal sources | 50,000 | 67,259 | 98,964 | 31,705 |
| Total revenues | 53,350 | 71,113 | 111,192 | 40,079 |
| Expenditures | | | | |
| Food service | 133,850 | 188,400 | 136,440 | 51,960 |
| Contingency | 500 | 30,855 | - | 30,855 |
| Total expenses | 134,350 | 219,255 | 136,440 | 82,815 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | (81,000) | (148,142) | (25,248) | 122,894 |
| Other financing sources (uses) | | | | |
| Transfers in | 80,000 | 80,000 | 80,000 | - |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENSES AND OTHER USES | (1,000) | (68,142) | 54,752 | 122,894 |
| Fund balance beginning of year | 1,000 | 68,142 | 68,142 | - |
| Fund balance end of year | \$ - | \$ - | \$ 122,894 | \$ 122,894 |

San Miguel County School District R-2J

SCHEDULE OF REVENUES AND EXPENDITURES
STUDENT ACTIVITIES FUND - BUDGET AND ACTUAL

Year ended June 30, 2022

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|-----------------|------------------|--|
| Revenues | | | | |
| Local sources | \$ 100,000 | \$ 100,000 | \$ 40,705 | \$ (59,295) |
| Total revenue | <u>100,000</u> | <u>100,000</u> | <u>40,705</u> | <u>(59,295)</u> |
| Expenditures | | | | |
| Student activities | 100,000 | 100,000 | 25,371 | 74,629 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | - | 15,334 | 15,334 |
| Fund balance beginning of year | - | - | 81,513 | 81,513 |
| Fund balance end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 96,847</u> | <u>\$ 96,847</u> |



Colorado Department of Education
Auditors Integrity Report
 District: 2840 - Norwood R-2J
 Fiscal Year 2021-22
 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 | 2,330,137 | 4,343,401 | 3,920,012 | 2,753,526 |
| 18 Risk Mgmt Sub-Fund of General Fund | 0 | 0 | 0 | 0 |
| 19 Colorado Preschool Program Fund | 0 | 0 | 0 | 0 |
| Sub- Total | 2,330,137 | 4,343,401 | 3,920,012 | 2,753,526 |
| 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 | 68,143 | 191,193 | 136,441 | 122,895 |
| 22 Govt Designated-Purpose Grants Fund | 0 | 0 | 0 | 0 |
| 23 Pupil Activity Special Revenue Fund | 81,513 | 40,706 | 25,371 | 96,847 |
| 25 Transportation Fund | 0 | 0 | 0 | 0 |
| 31 Bond Redemption Fund | 334,902 | 135,527 | 276,675 | 193,754 |
| 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 | 0 | 0 | 0 | 0 |
| 46 Supplemental Cap Const, Tech, Main Fund | 0 | 0 | 0 | 0 |
| Totals | 2,814,694 | 4,710,827 | 4,358,499 | 3,167,022 |
| Proprietary | | | | |
| 50 Other Enterprise Funds | 0 | 0 | 0 | 0 |
| 64 (63) Risk-Related Activity Fund | 0 | 0 | 0 | 0 |
| 60,65-69 Other Internal Service Funds | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |
| Fiduciary | | | | |
| 70 Other Trust and Agency Funds | 0 | 0 | 0 | 0 |
| 72 Private Purpose Trust Fund | 0 | 0 | 0 | 0 |
| 73 Agency Fund | 0 | 0 | 0 | 0 |
| 74 Pupil Activity Agency Fund | 0 | 0 | 0 | 0 |
| 79 GASB 34:Permanent Fund | 0 | 0 | 0 | 0 |
| 85 Foundations | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |

FINAL

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