

**MONTEZUMA COUNTY (CORTEZ)  
SCHOOL DISTRICT RE-1**

Independent Accountants' Reports  
And  
Basic Financial Statements

June 30, 2020

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

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**Majors and Haley, P.C.**  
**Certified Public Accountants**

PO Box 1478  
Cortez, Colorado 81321  
970-565-9521

Chris L Majors, CPA MT

Lori H Haley CPA

**INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Montezuma County (Cortez) School District RE-1  
Cortez, Colorado 81321

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Montezuma County (Cortez) School District RE-1, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Children's KIVA Montessori Charter School, Inc, which represent 41.66 percent, 34.91 percent, and 35.11 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for aggregate discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Montezuma County (Cortez) School District RE-1, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Food Service Fund; the Governmental Designated-Purpose Grants Fund and the Student Activity Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion, Schedule of District's Pension Contributions, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of the District's Other Post Employment Benefits (OPEB) Plan Contributions and Schedule of the District's Proportionate Share of the Net Other Post Employment Benefit (OPEB) Liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montezuma County (Cortez) School District RE-1's basic financial statements. The other supplemental information and information required by oversight authorities, including the budgetary comparison schedules, combining component unit schedules and Colorado Department of Education Auditors' Integrity Report, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administration Requirement, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The budgetary comparison schedules, combining component unit schedules, Colorado Department of Education Auditors' Integrity Report and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors.

In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the budgetary comparison schedule, combining component unit schedules, the Colorado Department of Education Auditors' Integrity Report and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 3, 2020, on our consideration of the Montezuma County (Cortez) School District RE-1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Montezuma County (Cortez) School District RE-1's internal control over financial reporting and compliance.

*Majors and Haley P.C.*

Majors and Haley PC

Cortez, Colorado  
November 3, 2020

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2020

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Montezuma County (Cortez) School District RE-1, Colorado's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please consider the information presented here in conjunction with additional information that can be found in the basic financial statements, which begin on page 14.

### **FINANCIAL HIGHLIGHTS**

- The District's net position, resulting from of this year's operations, increased \$9,825,746.
  - Of this increase \$3,106,881 was the net change in governmental funds. This is an increase of \$1,963,119 from \$1,143,762 in the previous year.
  - The internal service fund had a loss of \$(426,779). The previous year loss was \$308,372.
  - The increase also included the result of the District's share of PERA pension and OPEB plan benefit which, in net, totaled \$6,387,103.
  - The remaining \$758,541 was from the GASB 34 conversion.
- The District's total revenue was \$32,928,429 which is an increase of \$2,917,019 from \$30,011,410 in the prior year.
  - General revenues (primarily state equalization and property tax) accounted for \$23,782,669 in revenue or 72.2% of all revenues. Program specific revenues in the form of charges for services and grants account for \$9,145,760 the remaining 27.8%.
- The District incurred \$23,102,683 in expenses which is a decrease of \$2,593,778 from \$25,696,461 in the prior year. \$9,145,760 of these expenses were offset by program specific charges for services, grants, and contributions. The general revenues of \$23,782,669 was adequate, by \$9,825,746, to cover all the expenditures that were not offset by program specific revenues.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2020

- The General Fund reported a \$3,134,982 increase in fund balance from \$9,726,996 in the prior year to \$12,861,978. This is an increase of 32.2%.
  - The General Fund revenues increased \$809,118 from \$23,575,192 to \$24,384,310, for an 3.4% increase.
  - The General Fund expenditures decreased (including transfers) \$872,031 from \$22,121,359 in the prior year to \$21,249,328. This is a 3.9% decrease.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. Management's Discussion and Analysis is intended to serve as an introduction to the Districts basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components.

- Government-wide financial statements.
- Fund financial statements.
- Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Statements**

The Government-wide financial statements are designed to provide the reader of the District's Annual Financial Report a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the Statement of Net Position and the Statement of Activities.

- The Statement of Net Position presents information about all the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position.
- The Statement of Activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the Statement of Activities when the underlying event occurs, regardless of the timing of related cash flow. Thus, all the revenues and expenses are taken into account regardless of when cash is received or paid.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2020

The Government-wide financial statements are one way to measure the District's financial health, or financial position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school facilities.

In the government-wide financial statements, the District's activities are presented in the following category:

- **Governmental activities** - The District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. These activities are financed mainly through property taxes and state equalization funds.

### ***Fund Financial Statements***

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law. However, the District establishes other funds to help it manage and control its finances to achieve certain results.

The District uses two types of funds:

- **Governmental funds** - The District's basic services are included in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the services it provides. Governmental fund information helps one determine whether there are more, or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended June 30, 2020

The District maintains seven different governmental funds. They are the General Fund, Food Service Fund, Governmental Designated-Purpose Grants Fund, Student Activity Fund, Bond Redemption Fund, the High School Building Fund, and the Capital Projects Fund. They are all considered major funds due to their importance to the District. This is the last year for the High School Building Fund.

- **Proprietary funds** - Services for which the District charges a fee are generally reported in proprietary funds. The District maintains one type of proprietary fund, the internal service fund. Internal service funds are used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for the employee medical benefit activities related to the District's employee medical benefit insurance needs.

### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

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, net position was (\$5,638,210) at the close of the most recent fiscal year.

Net investment in capital assets (e.g. land and improvements, buildings, and equipment net any related debt to acquire those assets that is still outstanding) represents \$31,562,937 of the net position. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources 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.

An additional \$4,876,469 of the net position represents resources that are subject to external restrictions on how they may be used. \$850,000 of the restricted net position is an emergency reserve required by the Tabor amendment; \$28,715 is for food service; \$321,628 is for student activity; \$1,654,109 is for the repayment of the general obligation bonds; \$1,337,964 is for the capital projects; \$26,801 is for preschool and \$657,252 is for Grants, technology and insurance.

The remaining (\$42,077,616) is unrestricted net position. The negative balance is due to a net pension and OPEB plan benefits of \$55,150,804, representing the District's share of the state retirement system plan.

The following table indicates a summary of the Statement of Net Position for Governmental Activities as of June 30, 2020, and 2019.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

As of and for the Year Ended June 30, 2020

**Table 1**  
Comparative Summary Statement of Net Position  
At June 30

	Governmental Activities	
	2020	2019
Assets		
Current assets	\$ 22,094,382	\$ 18,193,219
Capital assets, net of depreciation	46,722,284	47,047,091
Total assets	<u>68,816,666</u>	<u>65,240,310</u>
Deferred Outflows of Resources	<u>7,683,155</u>	<u>15,890,389</u>
Liabilities		
Current liabilities	4,144,725	3,062,370
Noncurrent liabilities	50,123,344	58,882,274
Total liabilities	<u>54,268,069</u>	<u>61,944,644</u>
Deferred Inflows of Resources	<u>27,869,962</u>	<u>34,650,011</u>
Net Position		
Invested in capital assets	31,562,937	30,943,102
Restricted	4,876,469	4,334,492
Unrestricted	(42,077,616)	(50,741,550)
Total net position	<u>\$ (5,638,210)</u>	<u>\$ (15,463,956)</u>

At the close of the most recent fiscal year current assets of \$22,094,382, comprised 32.1% of total assets, increasing from 27.9% in the prior year. The investments in capital assets, less depreciation make up the remaining 67.9% of assets. Accrued wages and benefits represent 53.7% of the total current liabilities. Accrued wages and benefits occur when teachers and certain other District employee's work nine or ten months of the year but are paid over a full twelve months. Current liabilities increased \$1,082,355 from \$3,062,370 in the prior year to \$4,144,725. There was a net decrease in noncurrent liabilities from the prior year of \$8,758,930. This was due to the net pension liability; debt payments and deferred outflows of resources net of deferred inflows of resources.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

As of and for the Year Ended June 30, 2020

The following table indicates the summary of Changes in Net Position for Governmental Activities in the fiscal year 2020 and 2019.

**Table 2**  
Comparative Summary of Changes in Net Position  
For the Year Ending June 30

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 3,468,886	\$ 3,910,861
Operating grants and contributions	5,509,808	6,306,764
Capital grants and contributions	167,066	88,155
General revenues		
Taxes	14,895,573	13,709,943
State Equalization - net	8,264,382	7,490,914
Other	622,714	(1,495,227)
Total revenues	32,928,429	30,011,410
Expenses		
Instructional program services	9,029,845	11,247,741
Support program services	14,072,838	14,448,720
Total expenses	23,102,683	25,696,461
Increase (decrease) in net position	\$ 9,825,746	\$ 4,314,949

***Governmental Activities***

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$8,225.99 per funded student up from \$7,864.56 the prior year. In fiscal year 2020 the funded pupil count was 2,767.0. Charter Schools accounted for 290.5 of this funded pupil count. Funding for the SFA comes from property taxes, specific ownership taxes and state equalization. The District receives approximately 46.81 percent of this funding from state equalization while the remaining SFA funding amounts consist of property and specific ownership taxes.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

As of and for the Year Ended June 30, 2020

The statement of activities shows the cost of program services and the charges for services and grants offsetting those service costs. Table 3 shows, for governmental activities, the total cost of services and net cost of services. That is, it identifies the cost of these services supported by unrestricted state equalization and property taxes.

**Table 3**

**Governmental Activities Net Cost of Services**

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instructional program services	\$ 9,029,845	\$ 11,247,741	\$ 6,637,550	\$ 8,698,330
Support program services	14,072,383	14,448,720	7,319,373	6,692,351
Total	<u>\$ 23,102,228</u>	<u>\$ 25,696,461</u>	<u>\$ 13,956,923</u>	<u>\$ 15,390,681</u>

- The cost of all governmental activities during the year was \$23,102,228.
- Some of the cost was financed by the users of the District's programs (\$3,468,886).
- Federal and state government subsidized \$5,676,874.
- However, most of the District's costs (\$23,782,669) were financed by State and District taxpayers. This portion of governmental activities was financed for the most part with \$8,264,382 in state equalization, net of per pupil charter school allocation, from the School Finance Act of 1994 (SFA) and \$14,895,573 in property and specific ownership taxes.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has seven funds that are considered major under GASB 34 reporting requirements. Information about the District's government funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues and other financing sources of \$30,212,219 and expenditures and other financing uses of \$27,105,338.

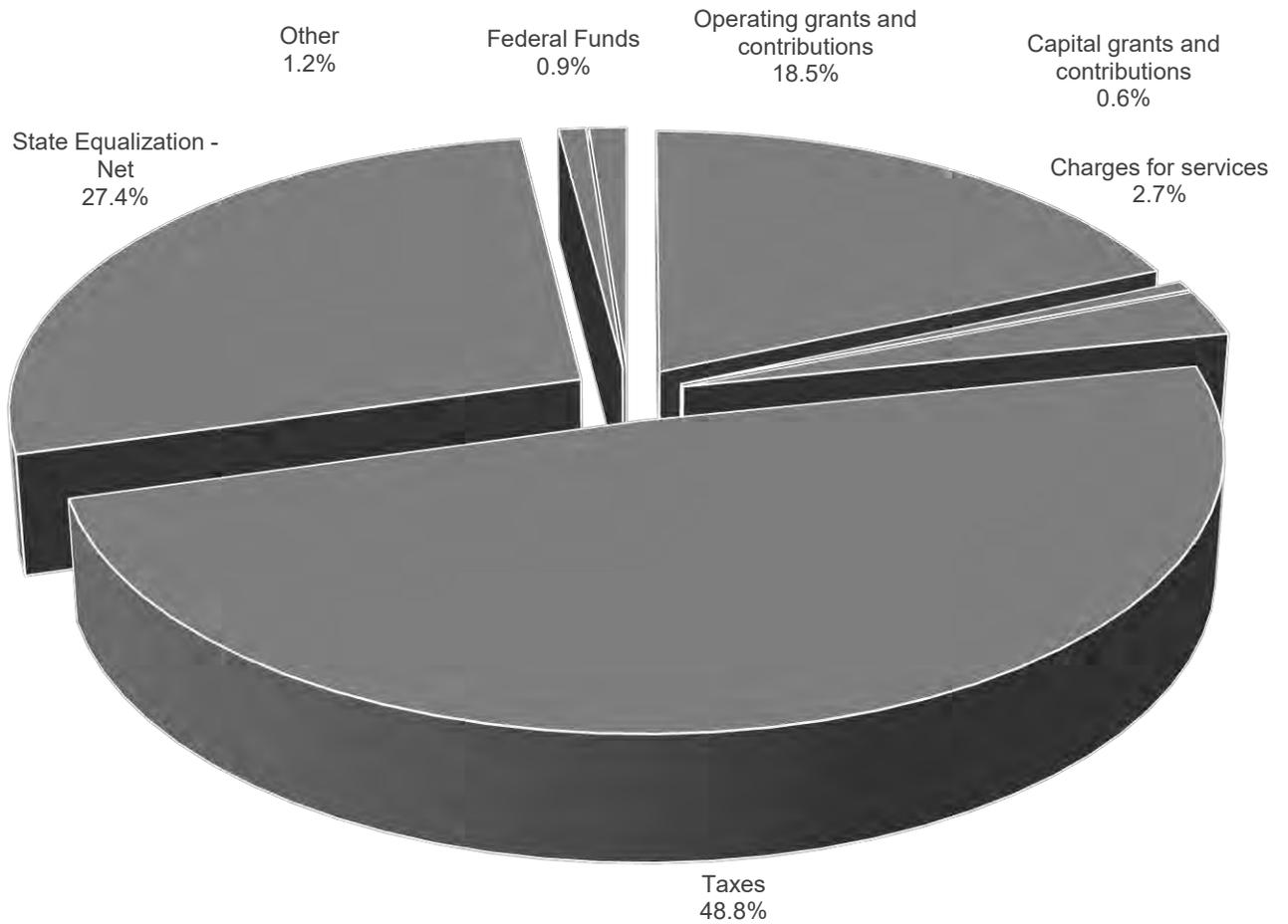
**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

As of and for the Year Ended June 30, 2020

State equalization and taxes accounted for most of the District's governmental funds total revenue, with each contributing 27.4 percent and 48.8 percent, respectively. Another 19.1 percent came from state and federal grants and the remainder from charges for services and miscellaneous sources. See Table 4.

**Table 4**  
Sources of Revenue for Fiscal Year 2020



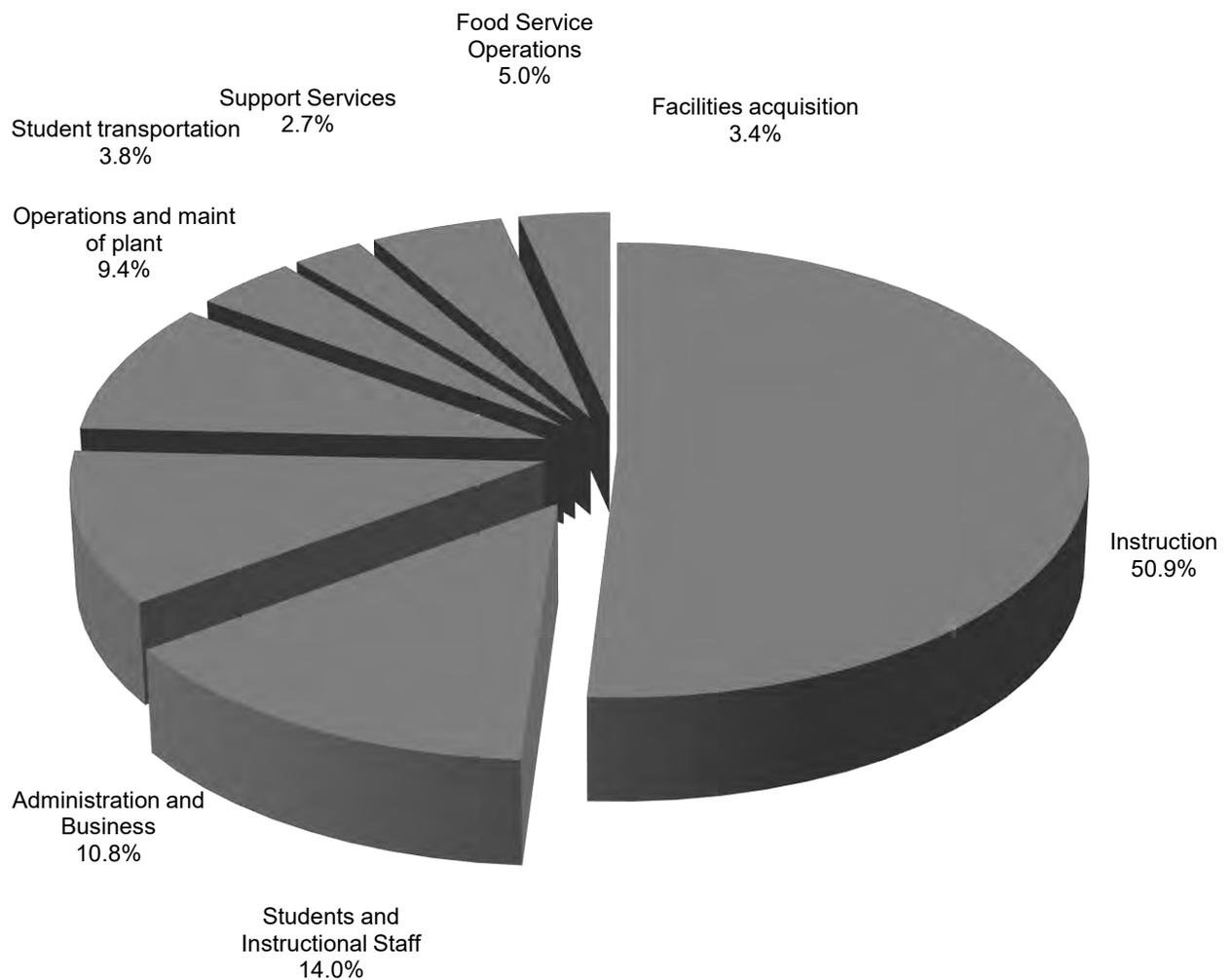
**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

As of and for the Year Ended June 30, 2020

The District's expenses are predominately related to instruction, (50.9 percent). The District's administrative and business activities accounted for 10.8 percent of total costs. See Table 5.

**Table 5**  
Expenses for Fiscal Year 2020



**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

As of and for the Year Ended June 30, 2020

***General Fund Budgetary Highlights***

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

Over the course of the year, the District revised the annual operating budget by making an increase in appropriations.

- Increases in appropriations were due primarily to additional funding that was received after the original budget was prepared.
- Actual expenditures, excluding transfers and appropriated reserves was \$2,140,704 below budget.

***CAPITAL ASSET ADMINISTRATION***

By the end of fiscal year 2020, the District has invested \$67,760,349 in land, buildings, and equipment (including vehicles). Table 6 shows capital assets for 2020 compared to 2019:

**Table 6**  
Capital Assets  
At June 30

	Governmental Activities	
	2020	2019
Land	\$ 800,068	\$ 801,580
Buildings	63,573,751	62,728,294
Equipment	3,386,530	3,576,978
Total	<u>\$67,760,349</u>	<u>\$67,106,852</u>

Additional information on the District's capital assets can be found in Note 5 on page 37 of this report.

# **MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

As of and for the Year Ended June 30, 2020

### ***LONG-TERM DEBT***

General obligation bonds were issued November 27, 2012 and February 6, 2013, respectively, for the purpose of constructing a new high school. At June 30, 2019, the balance of these bonds was \$16,103,989. During fiscal year 2020 the District paid principal of \$944,642 to take the balance at June 30, 2020 to \$15,159,347. Additional information on the District's long-term debt can be found in Note 7 on page 38 of this report.

### ***CHARTER SCHOOLS***

The Battlerock Charter School, the Southwest Open School and the Children's Kiva Montessori Charter School have been included in the District's basic financial statements in a separate column, as discretely presented component units. The Charter Schools audits are located in the administration office of the District and each of the Schools.

### ***FACTORS BEARING ON THE DISTRICT'S FUTURE***

At the time these financial statements were prepared and audited, the District is not aware of any existing circumstances that could significantly affect its financial health in the future.

### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

This financial report is designed to provide the District's citizens, taxpayers, parents, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, the financial statements of the component units, or need additional financial information, contact the Business Office, Montezuma County (Cortez) School District RE-1; P.O. Drawer R; 400 North Elm Street, Cortez, Colorado 81321.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
Statement of Net Position

June 30, 2020

	<u>Primary Government</u>	<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Charter Schools</u>
<b>Assets</b>		
Cash and investments	\$ 21,192,129	\$ 1,912,253
Cash with fiscal agent	90,314	
Taxes receivable	471,941	
Interfund receivable	2,753	
Due from District Charter Schools	13,374	(13,374)
Grants receivable	272,381	23,212
Other receivables	44,595	18,156
Inventories	6,895	
Prepaid expenses		18,884
Capital assets - net of depreciation	46,722,284	2,654,009
<b>Total Assets</b>	<b>68,816,666</b>	<b>4,613,140</b>
<b>Deferred Outflows of Resources</b>		
Pensions, net of accumulated amortization	7,571,991	783,550
OPEB, net of accumulated amortization	111,164	23,258
<b>Total Deferred Outflows of Resources</b>	<b>7,683,155</b>	<b>806,808</b>
<b>Liabilities</b>		
Interfund	2,753	
Accounts payable	201,837	28,578
Accrued salaries and benefits payable	2,228,302	201,031
Grants unearned revenue	1,711,833	162,627
Other current liabilities		2,086
Long-term liabilities		
Due within one year	970,482	2,086
Due in more than one year	14,188,865	1,238,910
Net pension liability	33,325,271	3,447,238
Net OPEB liability	1,638,726	169,465
<b>Total Liabilities</b>	<b>54,268,069</b>	<b>5,252,021</b>
<b>Deferred Inflows of Resources</b>		
Pensions, net of accumulated amortization	27,497,285	3,033,107
OPEB, net of accumulated amortization	372,677	53,790
<b>Total Deferred Inflows of Resources</b>	<b>27,869,962</b>	<b>3,086,897</b>
<b>Net Position</b>		
Net investment in capital assets	31,562,937	1,413,013
Restricted		
TABOR	850,000	101,195
Food service	28,715	
Student activity	321,628	11,757
Debt service	1,654,109	
Capital projects	1,337,964	369,099
Preschool	26,801	
Grants	8,218	
Technology	471,154	
Insurance	177,880	
Unrestricted (as restated)	(42,077,616)	(4,814,034)
<b>Total Net Position</b>	<b>\$ (5,638,210)</b>	<b>\$ (2,918,970)</b>

The accompanying notes are an integral part of this statement.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
Statement of Activities

For the Year Ended June 30, 2020

	Program revenues			Net (expenses) revenues and changes in net position		
	Expenses	Charges	Operating	Capital	Primary	Component
		for	Grants and	Grants and	Grants and	Government
	Services	Contributions	Contributions		Governmental	Charter
					Activities	Schools
<b>Primary Government</b>						
<b>Governmental Activities</b>						
Instructional program services	\$ 9,029,845	\$ 76,155	\$ 2,316,140		\$ (6,637,550)	
Support program services	14,072,838	3,392,731	3,193,668	\$ 167,066	(7,319,373)	
<b>Total Governmental Activities</b>	<u>23,102,683</u>	<u>3,468,886</u>	<u>5,509,808</u>	<u>167,066</u>	<u>(13,956,923)</u>	
<b>Total Primary Government</b>	<u>\$ 23,102,683</u>	<u>\$ 3,468,886</u>	<u>\$ 5,509,808</u>	<u>\$ 167,066</u>	<u>(13,956,923)</u>	
<b>Component Units - Charter Schools</b>	<u>\$ 2,674,229</u>	<u>\$ 228,877</u>	<u>\$ 769,827</u>	<u>\$ 160,458</u>		\$ (1,515,067)
<b>General Revenues</b>						
Property tax for general purposes					12,205,418	
Property tax for repayment of debt					1,461,021	
Specific ownership tax for general purposes					1,229,134	
Loss on the sale of assets						
Intergovernmental						
State Equalization					10,654,194	
Per pupil charter school allocation					(2,389,812)	2,389,812
Mineral leasing					161,568	
Public lands					96,163	42,217
Impact aid						
Miscellaneous					364,983	72,571
<b>Total General Revenues</b>					<u>23,782,669</u>	<u>2,504,600</u>
<b>Changes in Net Position</b>					9,825,746	989,533
Net Position Beginning of the Year (as restated)					(15,463,956)	(3,908,503)
<b>Net Position End of the Year</b>					<u>\$ (5,638,210)</u>	<u>\$ (2,918,970)</u>

The accompanying notes are an integral part of this statement.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
**Governmental Funds**  
**Balance Sheet**

June 30, 2020

	General Fund	Food Service Fund	Governmental Designated- Purpose Grants Fund	Student Activity Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>							
Cash and investments	\$ 15,021,631	\$ 116,419	\$ 1,369,705	\$ 325,421	\$ 1,624,502	\$ 1,369,277	\$ 19,826,955
Cash with fiscal agent	48,595				5,719		54,314
Taxes receivable	422,068				49,873		471,941
Interfund receivable	(220,805)		223,558				2,753
Due from Charter Schools	16,077						16,077
Grants receivable		13,884	258,497				272,381
Other receivable	11,231	11,869	2,300			19,195	44,595
Inventories		6,895					6,895
<b>Total Assets</b>	<b>\$ 15,298,797</b>	<b>\$ 149,067</b>	<b>\$ 1,854,060</b>	<b>\$ 325,421</b>	<b>\$ 1,680,094</b>	<b>\$ 1,388,472</b>	<b>\$ 20,695,911</b>
<b>Liabilities</b>							
Due to Charter Schools			\$ 2,703				\$ 2,703
Interfund payable				\$ 2,753			2,753
Accounts payable	\$ 145,072	\$ 16,681	7,017			\$ 33,067	201,837
Accrued salaries and benefits payable	1,993,258	92,274	141,730	1,040			2,228,302
Grants unearned revenue			1,694,392			17,441	1,711,833
<b>Total Liabilities</b>	<b>2,138,330</b>	<b>108,955</b>	<b>1,845,842</b>	<b>3,793</b>		<b>50,508</b>	<b>4,147,428</b>
<b>Deferred Inflows of Resources</b>							
Unearned revenue - property tax	298,489				\$ 25,985		324,474
Unearned revenue - lunch sales		4,502					4,502
	<b>298,489</b>	<b>4,502</b>			<b>25,985</b>		<b>328,976</b>
<b>Fund Balances</b>							
Non spendable		6,895					6,895
Restricted							
TABOR	850,000						850,000
Food service		28,715					28,715
Student activity				321,628			321,628
Debt service					1,654,109		1,654,109
Capital projects						1,337,964	1,337,964
Preschool	26,801						26,801
Grants			8,218				8,218
Technology	471,154						471,154
Insurance	177,880						177,880
Committed	1,567,801						1,567,801
Unrestricted							
Assigned for next year's expenditures	9,768,342						9,768,342
<b>Total Fund Balances</b>	<b>12,861,978</b>	<b>35,610</b>	<b>8,218</b>	<b>321,628</b>	<b>1,654,109</b>	<b>1,337,964</b>	<b>16,219,507</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 15,298,797</b>	<b>\$ 149,067</b>	<b>\$ 1,854,060</b>	<b>\$ 325,421</b>	<b>\$ 1,680,094</b>	<b>\$ 1,388,472</b>	<b>\$ 20,695,911</b>

**Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position**

<b>Total Fund Balance Governmental Funds</b>	<b>\$ 16,219,507</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Capital assets	\$ 67,760,349
Accumulated depreciation	(21,038,065)
	<u>46,722,284</u>
Unavailable revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.	328,976
Long-term liabilities and related items, including net pension liability, OPEB plan liability and pension and OPEB-related deferred outflows/inflows of resources, are not due and payable in the current year, and, therefore, are not reported in governmental funds.	
Due within one year	(970,482)
Due in more than one year	(14,188,865)
Net pension liability	(33,325,271)
Deferred outflows of resources related to pensions - net	7,571,991
Deferred inflows of resources related to pensions - net	(27,497,285)
Net OPEB liability	(1,638,726)
Deferred outflows of resources related to OPEB - net	111,164
Deferred inflows of resources related to OPEB - net	(372,677)
	<u>(70,310,151)</u>
The internal service funds are used by the District to account for the costs of employee medical benefits. The assets and liabilities of the internal service fund is included with governmental activities.	1,401,174
<b>Total Net Position Governmental Activities</b>	<b>\$ (5,638,210)</b>

The accompanying notes are an integral part of this statement.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
 Governmental Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2020

	General Fund	Food Service Fund	Governmental Designated-Purpose Grants Fund	Student Activity Fund	Bond Redemption Fund	High School Building Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>								
Local sources								
Taxes	\$ 13,305,787				\$ 1,447,499			\$ 14,753,286
Other	580,082	\$ 173,011	\$ 153,247	\$ 362,685	18,723	\$ 16,231	\$ 18,051	1,322,030
Intermediate sources	257,731							257,731
State sources								
State Equalization	10,654,194							10,654,194
Per pupil charter school allocation	(2,389,812)							(2,389,812)
Grants	1,225,783	44,921	524,975				148,256	1,943,935
Federal sources								
Grants	750,545	852,637	2,048,863					3,652,045
Other							18,810	18,810
<b>Total Revenues</b>	<b>24,384,310</b>	<b>1,070,569</b>	<b>2,727,085</b>	<b>362,685</b>	<b>1,466,222</b>	<b>16,231</b>	<b>185,117</b>	<b>30,212,219</b>
<b>Expenditures</b>								
Instructional program services	12,043,801		659,676	317,525			67,250	13,088,252
Support program services								
Students	682,892		644,137					1,327,029
Instructional staff	1,111,954		1,156,414					2,268,368
General administration	471,560		6,997					478,557
School administration	1,779,262		31,512					1,810,774
Business	418,137		66,690				5,809	490,636
Plant operation and maintenance	2,285,461		54,550				62,269	2,402,280
Student transportation	985,743						2,100	987,843
Central support services	627,319		96					627,415
Other support services	58,199							58,199
Food service operations		1,214,377					62,933	1,277,310
Facilities acquisition			109,302			359,163	407,052	875,517
Debt service					1,413,158			1,413,158
<b>Total Expenditures</b>	<b>20,464,328</b>	<b>1,214,377</b>	<b>2,729,374</b>	<b>317,525</b>	<b>1,413,158</b>	<b>359,163</b>	<b>607,413</b>	<b>27,105,338</b>
Excess revenues over (under) expenditures	3,919,982	(143,808)	(2,289)	45,160	53,064	(342,932)	(422,296)	3,106,881
<b>Other Financing Sources (Uses)</b>								
Transfers in (out)	(785,000)	85,000					700,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>(785,000)</b>	<b>85,000</b>					<b>700,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>3,134,982</b>	<b>(58,808)</b>	<b>(2,289)</b>	<b>45,160</b>	<b>53,064</b>	<b>(342,932)</b>	<b>277,704</b>	<b>3,106,881</b>
Fund Balances Beginning of the Year (as restated)	9,726,996	94,418	10,507	276,468	1,601,045	342,932	1,060,260	13,112,626
<b>Fund Balances End of the Year</b>	<b>\$ 12,861,978</b>	<b>\$ 35,610</b>	<b>\$ 8,218</b>	<b>\$ 321,628</b>	<b>\$ 1,654,109</b>	<b>\$ -</b>	<b>\$ 1,337,964</b>	<b>\$ 16,219,507</b>

The accompanying notes are an integral part of this statement.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
 Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2020

**Net Change in Fund Balances Governmental Funds** \$ 3,106,881

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period the basis of assets sold.

Capital outlay	\$ 1,040,542	
Depreciation expense	(1,345,049)	
Basis of obsolete assets	(20,300)	
		(324,807)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 138,706

Governmental funds report debt issuance proceeds as an other financing source, while repayment of debt principle is reported as an expenditure. The net effect of these differences in the treatment of long-term debt is as follows:  
 Principal payment on long-term debt 944,642

Governmental fund expenditures related to pension and OPEB obligations are measured by the amount of financial resources used (essentially, the amounts actually paid to the pension plan), whereas in the Statement of Activities, they are measured on the full accrue basis. The amount represents the change in net pension liability, pension and OPEB related deferred outflows and inflows of resources.

Pension contributions	2,510,866	
Cost of pension benefits earned net of employee contributions	3,703,609	
Support from the State of Colorado	133,702	
OPEB contributions	132,150	
Cost of OPEB benefits earned net of employee contributions	(93,224)	
		6,387,103

The change in net position of the internal service fund is reported with governmental activities. (426,779)

**Change in Net Position of Governmental Activities** \$ 9,825,746

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources				
Property taxes	\$ 10,865,224	\$ 11,122,080	\$ 12,076,653	\$ 954,573
Specific ownership tax	981,638	981,638	1,229,134	247,496
Charges for services	334,250	346,051	278,897	(67,154)
Other	128,509	153,550	301,185	147,635
Intermediate sources				
Mineral Lease	160,000	164,000	161,568	(2,432)
Public School Lands			96,163	96,163
State sources				
State Equalization	11,001,779	12,056,601	10,654,194	(1,402,407)
Per pupil charter school allocation	(2,401,387)	(2,381,440)	(2,389,812)	(8,372)
Grants	821,926	1,348,006	1,225,783	(122,223)
Federal sources				
Grants	550,000	550,000	750,545	200,545
<b>Total Revenues</b>	<b>22,441,939</b>	<b>24,340,486</b>	<b>24,384,310</b>	<b>43,824</b>
<b>Expenditures</b>				
Instructional Program	12,563,281	12,815,870	12,043,801	772,069
Support Programs				
Students	598,509	718,758	682,892	35,866
Instructional staff	1,921,706	1,624,009	1,111,954	512,055
General administration	519,111	540,165	471,560	68,605
School administration	1,394,601	1,793,504	1,779,262	14,242
Business	408,060	421,094	418,137	2,957
Plant operation and maintenance	2,247,210	2,429,161	2,285,461	143,700
Student transportation	1,202,041	1,098,652	985,743	112,909
Central support services	638,738	704,721	627,319	77,402
Other support services	364,479	434,098	58,199	375,899
Other	25,000	25,000		25,000
Appropriated reserves	125,482	1,551,118		1,551,118
<b>Total Expenditures</b>	<b>22,008,218</b>	<b>24,156,150</b>	<b>20,464,328</b>	<b>3,691,822</b>
Excess revenues over (under) expenditures	433,721	184,336	3,919,982	3,735,646
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(700,000)	(765,000)	(785,000)	(20,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(700,000)</b>	<b>(765,000)</b>	<b>(785,000)</b>	<b>(20,000)</b>
Net Change in Fund Balances	(266,279)	(580,664)	3,134,982	3,715,646
Fund Balances beginning of the year	7,184,080	9,727,997	9,726,996	(1,001)
<b>Fund Balances end of the year</b>	<b>\$ 6,917,801</b>	<b>\$ 9,147,333</b>	<b>\$ 12,861,978</b>	<b>\$ 3,714,645</b>

The accompanying notes are an integral part of this statement.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Special Revenue Fund  
Food Service Fund

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources				
Food sales	\$ 140,000	\$ 140,000	\$ 172,956	\$ 32,956
Other	114	114	55	(59)
State sources				
Grants	20,175	20,175	44,921	24,746
Federal sources				
Grants	858,800	924,900	852,637	(72,263)
Total local sources	<u>1,019,089</u>	<u>1,085,189</u>	<u>1,070,569</u>	<u>(14,620)</u>
<b>Expenditures</b>				
Support programs				
Food service operations	1,118,551	1,205,124	1,214,377	(9,253)
Appropriated reserves	10,139	44,788		44,788
<b>Total Expenditures</b>	<u>1,128,690</u>	<u>1,249,912</u>	<u>1,214,377</u>	<u>35,535</u>
Excess revenue over (under) expenditures	<u>(109,601)</u>	<u>(164,723)</u>	<u>(143,808)</u>	<u>20,915</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		85,000	85,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>
Net change in fund balance	(109,601)	(79,723)	(58,808)	20,915
Fund balance beginning of the year	109,601	79,723	94,418	14,695
Fund balance end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,610</u>	<u>\$ 35,610</u>

The accompanying notes are an integral part of this statement.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Governmental Designated-Purpose Grants Fund

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources				
Grants	\$ 162,583	\$ 159,637	\$ 141,334	\$ (18,303)
Other		32,508	11,913	(20,595)
State sources				
Grants	47,862	688,714	524,975	(163,739)
Federal sources				
Grants	2,164,275	3,903,858	2,048,863	(1,854,995)
<b>Total Revenues</b>	<u>2,374,720</u>	<u>4,784,717</u>	<u>2,727,085</u>	<u>(2,057,632)</u>
<b>Expenditures</b>				
Instructional Program	653,619	2,215,643	659,676	1,555,967
Support Programs				
Students	347,947	955,478	644,137	311,341
Instructional staff	1,275,268	1,310,090	1,156,414	153,676
General administration		20,517	6,997	13,520
School administration	29,753	26,411	31,512	(5,101)
Business	76,713	72,462	66,690	5,772
Plant operation and maintenance		54,554	54,550	4
Central		15,075	96	14,979
Facilities acquisition		123,067	109,302	13,765
<b>Total Expenditures</b>	<u>2,383,300</u>	<u>4,793,297</u>	<u>2,729,374</u>	<u>2,063,923</u>
Excess revenues over (under) expenditures	<u>(8,580)</u>	<u>(8,580)</u>	<u>(2,289)</u>	<u>6,291</u>
Net Change in Fund Balances	(8,580)	(8,580)	(2,289)	6,291
Fund Balances beginning of the year	8,580	8,580	10,507	1,927
<b>Fund Balances end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,218</u>	<u>\$ 8,218</u>

The accompanying notes are an integral part of this statement.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Special Revenue Fund  
Student Activity Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<b>Revenues</b>				
Local sources				
Other	\$ 500,000	\$ 500,000	\$ 362,685	\$ (137,315)
Total local sources	<u>500,000</u>	<u>500,000</u>	<u>362,685</u>	<u>(137,315)</u>
<b>Total Revenues</b>	<u>500,000</u>	<u>500,000</u>	<u>362,685</u>	<u>(137,315)</u>
<b>Expenditures</b>				
Instruction	500,000	500,000	317,525	182,475
Appropriated reserves	276,468	276,468		276,468
Total Expenditures	<u>776,468</u>	<u>776,468</u>	<u>317,525</u>	<u>458,943</u>
<b>Total Expenditures</b>	<u>776,468</u>	<u>776,468</u>	<u>317,525</u>	<u>458,943</u>
Net Change in Fund Balances	(276,468)	(276,468)	45,160	321,628
Fund Balances beginning of the year (as restated)	276,468	276,468	276,468	-
<b>Fund Balances end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321,628</u>	<u>\$ 321,628</u>

The accompanying notes are an integral part of this statement.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

Proprietary Fund  
Statement of Net Position

June 30, 2020

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
	<u>Self-Insurance Fund</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and investments	\$ 1,365,174
Cash with fiscal agent	36,000
<b>Total Current Assets</b>	<u>1,401,174</u>
<b>Total Assets</b>	<u>1,401,174</u>
<b>Net Position</b>	
Unrestricted	1,401,174
<b>Total Net Position</b>	<u>\$ 1,401,174</u>

The accompanying notes are an integral part of this statement.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2020

	Governmental Activities
	Internal Service Fund
	Self-Insurance Fund
<b>Operating Revenues</b>	
Premiums	\$ 3,020,559
<b>Operating Expenses</b>	
Central service	
Purchased services	
Other	(3,458,131)
Operating income (loss)	(437,572)
<b>Non-Operating Revenue (Expense)</b>	
Local sources	
Earnings on investments	10,793
<b>Net income (loss)</b>	(426,779)
Net Position Beginning of the Year	1,827,953
<b>Net Position End of the Year</b>	\$ 1,401,174

The accompanying notes are an integral part of this statement.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

Proprietary Funds  
Statement of Cash Flows

For the Year Ended June 30, 2020

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
	<u>Self-Insurance Fund</u>
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 3,020,559
Cash payments to suppliers for goods and services	(3,458,131)
<b>Net Cash Flows provided (used) by Operating Activities</b>	<u>(437,572)</u>
<b>Cash Flows from Investing Activities</b>	
Earnings on investments	10,793
<b>Net Cash Flows provided (used) by Investing Activities</b>	<u>10,793</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(426,779)
Cash and Cash Equivalents Beginning of the Year	1,827,953
<b>Cash and Cash Equivalents End of the Year</b>	<u>\$ 1,401,174</u>
<b>Reconciliation of operating income (loss) to Net Cash provided (used) by Operating Activities</b>	
Operating income (loss)	\$ (437,572)
Total adjustments	
<b>Net Cash Flows provided (used) by Operating Activities</b>	<u>\$ (437,572)</u>

The accompanying notes are integral part of this statement.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

### 1. **Summary of Significant Accounting Policies**

The financial statements of Montezuma County (Cortez) School District RE-1 (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements of Interpretations).

The following significant accounting policies were applied in the preparation of the accompanying financial statements.

**Reporting Entity** - The District is governed by a seven-member Board of Education (“Board”) and is organized and operates in accordance with Colorado statutes. Board members are elected by the citizens of the District, not appointed by any other governing body. The Board selects the superintendent of schools. The Board is solely responsible for the District’s budget adoption process. The District has the authority to levy taxes and issue debt. 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 government reporting entity.

**Charter Schools** - The Legislature of the State of Colorado enacted the “Charter School Act – Colorado Revised Statutes (CRS) Section 22-30.5-101 in 1993. This act permits the District to contract with individuals and organizations for the operation of schools within the District. The statutes define these contracted schools as “charter schools.” Charter schools are financed from a portion of the District’s School Finance Act Revenues (based on student enrollment), state and federal grants, as well as other revenues generated by the charter schools, within the limits established by the Charter School Act. Charter schools have separate governing boards; however, the District’s Board of Education must approve all charter school applications and budgets. Based on criteria set forth in GASB Statement 61, The Financial Reporting Entity: Omnibus and amendment of GASB 14 and 34, the Battlerock Charter School, the Southwest Open School and the Children’s Kiva Montessori Charter School have been included in the District’s basic financial statements in a separate column, as discretely presented component units. The Charter Schools audits are available in the administration office of the District and each of the Schools.

**Government-wide and Fund Financial Statements** - The government-wide financial statements (the statement of net position and the statement of activities) display information on all the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from Business-type activities, which rely to a significant extent on charges for support. Likewise, the primary government is reported separately from its legally separate component units for which the District is financially accountable.

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The statement of activities demonstrates the degree to which the direct expense of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The District has no non-major funds.

***Measurement Focus and Basis of Accounting*** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On an accrual basis, property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The effect of interfund activity has generally been eliminated from the government-wide financial statements. Exceptions to this are charges between the District's governmental and business-type activities and component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

***Governmental Funds*** – Governmental funds are used to account for the District's general governmental activities including the collection and disbursement of earmarked funds (special revenue funds). 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 period or soon enough thereafter to pay liabilities of the current fiscal 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 services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and capital leases are reported as other financing sources.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

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Those revenues subject to accrual are property taxes, charges for services and expended grants associated with the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity, with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements. The District reports the following major governmental funds:

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

**Food Service Fund** – The Food Service Fund is a special revenue fund used to account for the financial transactions related to the food service operations of the District. The major source of revenue are food service grants.

**Governmental Designated Purpose Grants Fund** - The Governmental Designated Purpose Grants Fund is a special revenue fund used to maintain a separate accounting for programs funded by federal, state, and local grants. The major source of revenues is operating grants.

**Student Activity Fund** – The Student Activity Fund is a special revenue fund used to account for financial transactions related to student activity accounts. The major source of revenues is student fees. The fund was reclassified from the Agency Fund in FY20.

**Bond Redemption Fund** – The Bond Redemption Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

**High School Building Fund** – The High School Building Fund is used to account for the accumulation of funds from the Colorado BEST Grant and the voter approved general obligation bonds along with the associated expenditure of those funds for the construction of a new high school. This is the last year for this fund.

**Capital Projects Fund** – The Capital Projects Fund is used to account for the accumulation of resources and expenditure of resources for capital improvements within the District.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**Proprietary Funds** – Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal revenues of the District’s enterprise funds are charges for services. Operating expenses for enterprise funds include cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District reports the following proprietary fund:

**Internal Service Fund – Self Insurance Fund** – The Self Insurance Fund is used to account for the District’s medical benefit program.

### **Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity**

**Cash and Cash Equivalents** - Cash and cash equivalents for the purpose of the statement of cash flows, are to be considered highly liquid investments with original maturities of three months or less. Investments in external investment pools are stated at cost, which is equal to fair value.

**Due to/from Charter Schools** - Due to/from Charter Schools represents amounts that are due to/from the Charter Schools. The amounts are normal transactions that are paid in the next two months or less.

**Short-term Interfund Receivable/Payables** – During the course of operations, transactions occur between individual funds for goods or services rendered. These are paid in the next two months or less.

**Grants Accounts Receivable** - State and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Grants receivable are recorded when expenditures are made, and the grant monies have not been received.

**Inventories** – Inventories purchased by the Food Service Fund are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA’S assigned value, which approximate fair value at the date of receipt. Expenses for food items are recorded when used. The federal government donates surplus commodities to supplement the national school lunch programs.

**Capital Assets** - Capital assets, which include land, building and improvements, furniture, equipment, and vehicles are reported in the government-wide financial statements. Capital assets are defined by the District 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 actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

The District maintains a capitalization threshold of \$25,000 for major outlays for buildings and improvements. The District does not possess any infrastructure.

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## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and Improvements	20-50 Years
Furniture and Equipment	5-15 Years
Vehicles	8 Years

***Deferred Outflows/Inflows of Resources*** – In additions to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to future period(s) and so will not be recognized as an outflow or resources (expense/expenditure) until that time.

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

***Accrued Salaries and Benefits Payable*** – Accrued salaries and benefits payable represent the liability to teachers and certain other employees who earn their salaries over the nine-month school year but are paid over a twelve-month period. Changes in the accrual are reflected in expenditures or expense on the applicable fund's statement of revenue, expenditures, and changes in fund balance.

***Compensated Absences*** – Under the District's policies, employees earn vacation leave and sick leave based on longevity of services or position.

Instructional staff vacation must be taken during the summer, before the succeeding school term, or be lost. Administrative staff vacation shall be 20 days per year. Unused vacation may be accumulated up to 30 days. Vacation for support staff accumulates at 10 to 20 days per year. Unused vacation can accumulate up to 5 days. Vacations are to be taken throughout the year (and not accumulate over into another year). Vacation is not accrued since the amount does not exceed a normal year's accumulation.

Sick leave with pay shall be granted to each employee of the District. It may be used for the employee's illness, quarantine, or disability or for the illness or death of members of the immediate family.

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Sick leave will begin accruing on the first day of employment and will accrue at the rate of 10 days per year, plus an additional two days for employees having twelve-month contracts. A maximum of 60 days sick leave may be accumulated. Days, as specified here pertain to teaching days.

If an employee is unable to return to work after sixty (60) consecutive working days, he will be dropped from the payroll and transferred to income protection, but he will maintain his tenure and salary increment status at the time of his illness or disability if he returns to service in the District within 24 months from the date of the beginning of personal deduction. Accumulated sick leave does not vest with the employee; that is, the employees have no right to be reimbursed for unused sick leave if they terminate. Under generally accepted accounting principles, there is, therefore, no expense or liability for accumulated sick leave or vacation included in the financial statements.

**Grants Deferred Revenues** – Grants deferred revenue arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

**Long-term Debt** - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**Fund Equity** - The fund balances of the governmental funds are reported in classifications based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent as follows;

- Nonspendable fund balance represents assets that cannot be spent because of their form or legally or contractually must be maintained intact.
- Restricted fund balance reflects resources that are subject to externally enforceable legal limitations.
- Committed fund balance is the portion that is limited to specific purposes determined by a formal action of the Board of Education, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned fund balance displays the District's intended use of these resources. The assigned fund balance amounts are assigned by the chief financial officer, per the District policy.
- Unassigned fund balance represents resources with residual net resources.

Restricted fund balance consists of required TABOR reserves of \$850,000; debt service per covenants of \$1,654,109; \$28,715 for food services; \$321,628 for student activities; \$1,337,964 for capital projects; \$26,801 for preschool and the grants, technology, and insurance of \$657,252.

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## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

When determining categories of fund balance, it is assumed that the type of expenditure determines the primary use of fund balance. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Once the commitment or assignment is satisfied unassigned resources are used.

**Net Position** - Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, the District considers restricted funds to have been spent first.

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

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

**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 inflow of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/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.

**Inter-fund Transactions** - Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

***Use of Estimates*** - The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows and inflows of resources, revenues and expenditures (expenses). Actual results could differ from those estimates and assumptions used

***Property Tax Revenue Recognition*** - Property taxes for a calendar year are certified by the Board of Education by December 15 and levied on assessed valuation by the county commissioners by December 22, 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. Property taxes are payable in full by April 30 or in two equal installments due February 28 and June 15. The county bills and collects property taxes for all taxing districts in the county. The property tax receipts collected by the county are generally remitted to the District in the subsequent month.

***Operating Revenues and Expenses*** - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are premiums related to medical benefits. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

***Budgets and Budgetary Accounting*** - The District is required by Colorado Statutes to adopt annual budgets for all funds. Each budget is prepared on the same basis (GAAP basis) as that used for accounting purposes.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the Superintendent's staff submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1.

The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain comments.

Prior to June 30, the budget is legally adopted through passage of a resolution by the Board of Education. However, the Board can review and change the adopted budget through January 31.

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## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Formal budgetary integration is employed as a management control device during the year. Encumbrance accounting is employed by the District. Encumbrances outstanding at year end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

### **2. Cash and Investments**

**Custodial credit risk** for deposits is the risk that, in the event of a bank failure, the District's deposits might not be recovered. However, there is no custodial risk for public deposits because they are collateralized under the Colorado Public Deposit Protection Act (PDPA). The PDPA specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local governmental depositors as a group, with a market value at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statutes to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Colorado statutes define eligible investments for local governments. Those include bonds and other interest-bearing obligations of or guaranteed by the United States government or its agencies, bonds which are direct obligations of the State of Colorado or any of its political subdivisions, repurchase agreements, commercial paper, guarantee investment contracts and local government investment pools. The District has no investments exposed to custodial credit risk.

**Interest Rate Risk** is the risk that changes in market interest rates will adversely affect the fair value of an investment. Colorado revised statutes limits maturities to five years or less. The District has no investments exposed to interest rate risk.

**Credit risk** is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Credit risk in the portfolio is minimized by investing the majority of asset in US Treasury and Instrumentalities which have the support of US government and failure to receive maturing funds is remote.

At June 30, 2020, the District had investments in one local governmental investment pool, the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, and Section 6. The fair value of the investments in COLOTRUST is the same as the value of the pool shares. None of these types of

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

investments are categorized because they are not evidenced by securities that exist in physical or book entry form. COLOTRUST is rated AAAM from Standard and Poor's. Financial statements for COLOTRUST may be obtained at [www.colotrust.com](http://www.colotrust.com).

At June 30, 2020, the carrying amount of the District's cash and investments was \$21,192,129. The District's bank balances were \$4,524,927 and COLOTRUST balances were \$17,302,080. The District's bank balances at June 30, 2020 and during the year ended June 30, 2020 were entirely covered by FDIC insurance or pledged collateral held by the District's agent banks in the name of governmental accounts of which the District is a part.

**3. Interfund Balances and Transfers**

Balances of interfund receivables, payables and transfers at June 30, 2020 are as follows:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 2,753			\$ 785,000
Food Service Fund			\$ 85,000	
Student Activity Fund		\$ 2,753		
Capital Projects Fund			700,000	
Totals	<u>\$ 2,753</u>	<u>\$ 2,753</u>	<u>\$ 785,000</u>	<u>\$ 785,000</u>

All interfund receivables and payables are the result of normal business and are expected to be paid in the next two months or less.

**4. Federal and State Administered Grants**

Federal and state administered grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenues until earned. Receivables and Deferred Revenues at June 30, 2020 are as follows:

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Fund	Grant Number	Receivable	Unearned Revenue
Student Activity Fund			
From Colorado Department of Education			
Food Loss Reimbursement	3953	\$ 13,884	
Governmental Designated Purpose Grants Fund			
Local Grants			\$ 2,753
State Grants			
From Colorado Department of Education			
ELPA	3139		13,461
ELPA	3140		10,023
State Library Grant	3207		6
School Health Professional	3218		23,041
Advanced Placement	3226		7,721
School Turnaround	3227		3,100
Career Certificate	3237		9,020
Connect for Success	3238		1
Computer Science	3239		8,800
Retaining Teachers	3245		47,722
Other Grants			45,903
Federal Grants			
From Colorado Department of Education			
Title I	4010	119,277	
Corona Relief	4012		1,298,438
Title I EASI	5010	21,573	
Title III English Language	4365	2,182	
Title II Part A Teacher Quality	4367	14,260	
Title V Part B Rural Education	4424	19,318	
Title VI Part B Rural and Low Income	6358	371	
Other Grants			
Title V Indian Education	4060	20,067	
Perkins	4048	61,449	
Other			224,403
Capital Projects Fund			
Kindergarten Facility	3250		17,441
Totals		\$ 272,381	\$1,711,833

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2020

**5. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2020 follows:

	Capital Assets			Capital Assets
	<u>July 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2020</u>
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 62,728,294	\$ 894,531	\$ (49,074)	\$ 63,573,751
Equipment	3,576,978	146,011	(336,459)	3,386,530
Less Accumulated Depreciation	(20,059,761)	(1,345,049)	366,745	(21,038,065)
 Total Capital Assets, being depreciated	 <u>46,245,511</u>	 <u>(304,507)</u>	 <u>(18,788)</u>	 <u>45,922,216</u>
 Capital Assets, not being depreciated				
Land	801,580		(1,512)	800,068
 Total Governmental Activities Capital Assets	 <u>\$ 47,047,091</u>	 <u>\$ (304,507)</u>	 <u>\$ (20,300)</u>	 <u>\$ 46,722,284</u>

Depreciation expense was charges as a direct expense to the following governmental programs:

Instruction	\$ 9,290
Operations and Maintenance	10,016
Transportation	75,484
Food Service Operations	1,897
Facility Acquisition	1,248,362
 Total Depreciation Governmental Activities	 <u>\$ 1,345,049</u>

**6. Accrued Salaries**

Certified instructors of the District are contracted for nine months annually between August 1 and June 1. These instructors, while only working nine months, are paid for their services in twelve equal monthly installments. On June 30 of each year they have completed their entire contract but have only received 10/12 of the related compensation with the difference to be paid over the summer break. The difference, totaling \$2,228,302, is reflected as an accrued expense at June 30, 2020.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**7. Long-Term Debt**

**Series 2012H Certificate of Participation, Tax Exempt Matching Money Bonds, Series 2013 General Obligation Bonds Payable** - These general obligation bonds were issued November 27, 2012 and February 6, 2013, respectively, for the purpose of constructing a new high school. The Series 2012H Certificate of Participation Bonds of \$19,357,769 were used to match \$22,724,338 in State of Colorado BEST program funds as required under the State of Colorado Building Excellent Schools Today Qualified School Construction Program. The proceeds from the bonds were transferred to an account administered by the State of Colorado until needed for construction costs. In addition to the Series 2012H Certification of Participation Bonds and the BEST program funds, the District will use \$1,890,000 of Series 2013 General Obligation Bonds to finance new athletic fields for the District. The Series 2012H Certificate of Participation Bonds were issued at an interest rate of 3.01%. The Series 2013 General Obligation Bonds carry interest at 2% to 3%. The repayment of the bonds is recorded in the Debt Service Fund.

The annual requirement to amortize the bonds outstanding are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Series 2012H Certificates of Participation</u>		<u>Series 2013 General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 885,482	\$ 402,538	\$ 85,000	\$ 38,050
2022	912,098	375,521	85,000	35,925
2023	939,515	347,963	90,000	33,300
2024	967,756	319,027	95,000	30,525
2025	996,846	304,482	95,000	27,675
2026-2028	5,452,116	972,582	525,000	92,775
2029-2032	3,680,534	168,134	350,000	15,900
Total	<u>\$ 13,834,347</u>	<u>\$ 2,890,247</u>	<u>\$ 1,325,000</u>	<u>\$ 274,150</u>

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**Changes in Long-Term Debt** - A summary of changes in long-term debt follows:

	Long-Term Debt			Long-Term Debt
	<u>July 1, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2020</u>
Long-Term Debt				
Series 2012H Certificate of Participation	\$ 14,693,989		\$(859,642)	\$ 13,834,347
Series 2013 General Obligation Bonds	1,410,000		(85,000)	1,325,000
 Total Long-Term Debt	 <u>\$ 16,103,989</u>	 <u>\$ -</u>	 <u>\$(944,642)</u>	 <u>\$ 15,159,347</u>

**8. Fund Balance Restrictions and Assignments**

Restricted indicates that a portion of the fund balance can only be spent for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. Assigned indicates amounts that are designated for a specific purpose by the Board of Education but are not spendable until appropriated. The District uses the following restrictions and assignments:

***Restricted***

**TABOR** is required by an amendment to the State Constitution, Article X; Section 20, known as the Tabor Amendment, which requires local government units to establish emergency reserves. The designation is a minimum of three percent of the current fiscal year eligible expenditures. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Fund balance reserved for emergencies consists of \$850,000 in the General Fund.

**Food service** indicates the amount of fund balance that is restricted for future food service of the district. \$28,715 is restricted in the Food Service Fund.

**Student activity** indicates the amount of fund balance that is restricted for future student activities of the district. \$321,628 is restricted for the Student Activity Fund.

**Debt Service** indicates the amount of fund balance that is restricted for the repayment of the District's outstanding bonds. Fund balance restricted for debt service consists of \$1,654,109 in the Bond Redemption Fund.

**Capital Projects** indicates the amount of fund balance that is restricted for future capital projects. Fund balance restricted for capital project in the Capital Projects fund consists of \$1,337,964.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

NOTES TO THE FINANCIAL STATEMENTS

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**Preschool** indicates the amount of fund balance of \$26,801 that is restricted to preschool expenses.

**Grants, Technology, and Insurance** indicates the amount of \$657,252 that is restricted for grant expense, insurance, and technology programs.

**Committed** represents property tax paid by Kinder Morgan of \$1,567,801. Kinder Morgan has appealed the assessed values for these funds and has appealed to the state. The Montezuma County (Cortez) Board of Education, per resolution, committed these funds until the process is resolved in the courts.

***Assigned***

***Assigned for future expenditures*** - indicates anticipated fund balance available for appropriation in the next budget year. Fund balances assigned for future expenditures consist of \$9,768,342 in the General Fund.

**9. Budgets and Budgetary Accounting**

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors throughout the year. Following is a summary of the revised budget, actual amount spent and variance.

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Activities			
General Fund	\$24,921,150	\$21,249,328	\$ 3,671,822
Food Service Fund	1,334,912	1,299,377	35,535
Governmental Designated			
Purpose Grants Fund	4,793,297	2,729,374	2,063,923
Student Activity Fund	776,468	317,525	458,943
Bond Redemption Fund	2,927,774	1,413,158	1,514,616
High School Building Fund	359,163	359,163	-
Capital Projects Fund	1,950,996	607,413	1,343,583
Business-Type Activities			
Internal Service Fund			
Self Insurance Fund	4,747,793	3,458,131	1,289,662

Appropriations are adopted by resolution for each fund in total and lapse at the end of each year. Over-expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

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### 10. *Jointly Governed Organization*

The District is a participant among nine school districts in a jointly governed organization to operate the San Juan Board of Cooperative Educational Services (BOCES). The BOCES is a regional education service unit created under the “Board of Cooperative Services Act of 1965” of the Colorado Revised Statutes. The BOCES provides unique education services that the member districts could not provide individually on a cost-effective basis. The BOCES governing board is made up of representatives from each member district’s board. The governing board control budgeting and fiscal matters. The District does not have an ongoing financial interest in or ongoing financial responsibility for the BOCES. Financial statements for the BOCES can be obtained by contacting the Director of Business Services at (970)247-3261. The District had no debt with BOCES at year end.

### 11. *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 comprehensive annual financial report (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

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

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

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

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

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

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 will receive an annual increase of 1.25 percent unless adjusted by the automatic provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007 receive the lesser of an annual increase of 1.25 percent or the average Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year no to exceed 10 percent of PERA's Annual Increase (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

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

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	July 1, 2019 Through June 30, 2020
Employer contribution rate	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.38%
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%
<b>Total employer contribution rate to the SCHDTF</b>	<b>19.38%</b>

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

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$2,510,866 for the year ended June 30, 2020.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The District's proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of the participating employers and the State as a nonemployer contributing entity.

On June 30, 2020, the District reported a liability of \$33,325,271 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 33,325,271
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	4,226,887
Total	<u><u>\$ 37,552,158</u></u>

On December 31, 2019, the District's proportion was .2230639559 percent, which was a decrease of .0070330443 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$(6,348,177) and revenue of \$133,702 for the support from the State as a nonemployer contributing entity. On June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,816,249	
Changes in assumptions or other inputs	951,386	\$ 15,116,027
Net difference between projected and actual earnings on pension plan investments	3,555,173	7,502,883
Changes in proportion and differences between contributions recognized and proportionate share of contributions		4,878,375
Contributions subsequent to the measurement date	1,249,183	
 Total	 <u>\$ 7,571,991</u>	 <u>\$ 27,497,285</u>

\$1,249,183 reported as deferred outflows related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2021	\$ (11,568,554)
2022	(8,103,580)
2023	(159,449)
2024	(1,342,894)
 Total	 <u>\$ (21,174,477)</u>

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

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**Actuarial Assumptions** – The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

<sup>1</sup> For 2019, the annual increase was 0.00 percent.

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

Post-retirement non-disabled mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used the December 31, 2018, valuation was based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board Meeting.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars) commencing July 1, 2018, that is proportioned between the State, 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 used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

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- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine that total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

	1 % Decrease (6.25%)	Current Discount Rate (7.25%)	1 % Increase (8.25%)
Proportionate share of the net pension liability	\$ 44,196,445	\$ 33,325,271	\$ 24,197,973

Pension plan fiduciary net position. Detail information of the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports)

**12. Other Post-Employment Benefits**

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

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

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

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

### **PERA Benefit Structure**

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

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

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## NOTES TO THE FINANCIAL STATEMENTS

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from District were \$132,150 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$1,638,726 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The District proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the District proportion was .1457943538 percent, which was a decrease of .0037699151 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020 the District recognized OPEB expense of \$(38,926). At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,438	\$ 275,366
Changes in assumptions or other inputs	13,595	
Net difference between projected and actual earnings on pension plan investments	26,385	53,737
Changes in proportion and differences between contributions recognized and proportionate share of contributions		43,574
Contributions subsequent to the measurement date	65,746	
 Total	 <u>\$ 111,164</u>	 <u>\$ 372,677</u>

\$65,746 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2021	\$ (66,814)
2022	(66,811)
2023	(58,892)
2024	(69,292)
2025	(61,746)
2026	(3,704)
 Total	 <u>\$ (327,259)</u>

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans gradually	5.60 percent in 2019, decreasing to 4.50 percent in 2029
Medicare Part A premiums gradually	3.50 percent in 2019, increasing to 4.50 percent in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
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.

The actuarial assumptions used in the December 31, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

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

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

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

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

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

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

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 heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

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

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

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

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

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

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
None U.S. Equity - Developed	18.55%	5.20%
None U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

**Sensitivity of the District 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	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB liability	\$ 1,599,799	\$ 1,638,726	\$ 1,683,709

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

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
	<hr/>	<hr/>	<hr/>
Proportionate share of the net OPEB liability	\$ 2,219,468	\$ 1,638,726	\$ 1,781,942

*OPEB plan fiduciary net position.* Detailed information about the HCTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports)

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

### **13. *Defined Contribution Pension Plan***

#### **Voluntary Investment Program**

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District has not agreed to match employee contributions. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2020, program members contributed \$214,549 to the Voluntary Investment Program.

### **14. *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 is a member of the Colorado School Districts Self-Insurance Pool (The Pool). The Pool was formed in 1981 to provide 93-member school districts and related educational facilities with defined property and liability coverage through joint self-insurance and excess insurance. The District pays an annual premium for its general insurance coverage. The Pool is self-sustaining through member premiums and obtains excess insurance to limit per occurrence exposure to \$250,000.

The District continues to carry commercial insurance for all other risks of loss including worker's compensation and employee health and accident insurance. There have been no settled claims that have exceeded insurance coverage in any of the past three fiscal years. There have been no significant decreases in insurance coverage from the prior year.

In addition, the District has established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss for employee health and accident insurance. Under this program, the Fund provides coverage from the purchase of commercial insurance for a specific deductible of \$120,000, with a maximum aggregate benefit of \$1,000,000.

The plan received premiums of \$3,020,559 and paid claims of \$3,458,131 for the fiscal year. \$3,003,983 of the premiums charged were paid by the District and member charter schools' as employee benefits.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

### **15. 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 people of the District voted to authorize the spending of all monies in existing funds and to collect, retain, and expend the full revenue, including state grants and taxes, generated during fiscal year 1998 and for each subsequent year regardless of any limitation contained in Article X, Section 20, of the Colorado Constitution. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with all other requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

### **16. *Compliance with the Financial Policies and Procedures Handbook***

The school district is complying with the provisions of section 22-44-204(3), C.R.S., concerning the use of the Financial Policies and Procedures Handbook adopted by the State Board of Education." C.R.S. 29-1-603

### **17. *Commitments and Contingent Liabilities***

The District had received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. District management believes that disallowance, if any, would be immaterial to the basic financial statements.

### **18. Restatement of Fund Balance**

The District previously reported the activity of the Student Activity Agency Fund (Fund 74) as a fiduciary fund. Beginning in FY2019-2020, such activity has been more appropriately reported in a special revenue fund (Fund 23). Accordingly, the newly established special revenue fund reports a restated beginning fund balance of \$276,468, which is equal to the restatement of net current assets and current liabilities previously reported in the agency fund. All remaining assets and liabilities, if any, previously reported in the agency fund are not recognized at the fund level under the modified accrual basis of accounting, and have been reclassified as assets and liabilities of the governmental activities as of July 1, 2019.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

Required Supplementary Information

June 30, 2020

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

Such information includes:

Schedule of the District's Pension Contributions

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

Schedule of the District's Other Post Employment Benefits (OPEB) Plan Contributions

Schedule of the District's Proportionate Share of the Net Other Post Employment  
Benefit (OPEB) Plan Liability

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
 Schedule of the District's Pension Contributions

June 30, 2020  
 Last 10 Years\*

	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 2,510,866	\$ 2,511,281	\$ 2,299,634	\$ 2,212,965	\$ 2,178,998	\$ 2,052,694
Contributions in relation to the statutory required contribution	2,510,866	2,511,281	2,299,634	2,212,965	2,178,998	2,052,694
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 12,955,966	\$ 13,126,214	\$ 12,179,678	\$ 12,038,349	\$ 12,288,408	\$ 12,157,244
Contributions as a percentage of covered payroll	19.38%	19.13%	18.88%	18.38%	17.73%	16.88%

The amounts presented for each fiscal year were determined as of June 30.

\* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

Notes to Required Supplemental Information

See Note 11 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
Schedule of the District's Proportionate Share of the Net Pension Liability

June 30, 2020  
Last 10 Years\*

	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Proportionate Share of the Net Pension Liability	0.22306396%	0.23009700%	0.26350211%	0.27074664%	0.28121454%	0.28997445%
District's proportionate share of the Net Pension Liability	\$ 33,325,271	\$ 40,743,400	\$ 85,207,216	\$ 80,611,744	\$ 43,009,778	\$ 39,301,278
District's share of the State of Colorado's share of the Net Pension Liability as nonemployer contributing entity	\$ 4,226,887	\$ 5,571,094				
Total Net Pension Liability	\$ 37,552,158	\$ 46,314,494				
District's covered payroll	\$ 12,955,966	\$ 12,646,275	\$ 12,155,662	\$ 12,133,120	\$ 12,251,192	\$ 12,141,293
District's proportionate share of the net pension liability as a percentage of its covered payroll	257.22%	322.18%	700.97%	664.39%	351.07%	323.70%
Plan fiduciary net position as a percentage of the total pension liability	64.50%	57.01%	43.96%	43.13%	59.20%	64.07%

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

\* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

Notes to Required Supplemental Information

See Note 11 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
 Schedule of the District's Other Post Employment Benefits (OPEB) Plan Contributions

June 30, 2020  
 Last 10 Years\*

	2020	2019	2018	2017
Statutorily required contributions	\$ 132,150	\$ 133,887	\$ 124,233	\$ 122,791
Contributions in relation to the statutory required contribution	13,150	133,887	124,233	122,791
Contribution deficiency (excess)	<u>\$ 119,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,955,996	\$ 13,126,214	\$ 12,179,678	\$ 12,038,349
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

The amounts presented for each fiscal year were determined as of June 30.

\* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

Notes to Required Supplemental Information

See Note 12 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
 Schedule of the District's Proportionate Share of the Net Other Post Employment Benefit (OPEB) Plan Liability

June 30, 2020  
 Last 10 Years\*

	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
Proportionate Share of the Net Pension Liability	0.14579435%	0.14956427%	0.14972096%	0.15389561%
District's proportionate share of the Net Pension Liability	\$ 1,638,726	\$ 2,034,885	\$ 1,945,774	\$ 1,995,309
District's covered payroll	\$ 12,955,966	\$ 12,646,275	\$ 12,155,662	\$ 12,133,120
District's proportionate share of the net pension liability as a percentage of its covered payroll	12.65%	16.09%	16.01%	16.45%
Plan fiduciary net position as a percentage of the total pension liability	24.50%	17.03%	21.25%	20.07%

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

\* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

Notes to Required Supplemental Information

See Note 12 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

Other Supplementary Information

June 30, 2020

Other supplementary information includes financial statements and schedules not required by the GASB, or as part of the basic financial statements, but are presented for purposes of additional analysis.

These statements and schedules include:

Budgetary Comparison Schedules

Debt Service Fund

Bond Redemption Fund

Capital Projects Fund

High School Building Fund

Capital Projects Fund

Proprietary Fund

Self Insurance Fund

Component Units Combining Statements

Statement of Net Position

Statement of Activities

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

Schedule of Revenues, Expenditures and Changes in  
Fund Balances- Budget and Actual  
Bond Redemption Fund

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Local sources				
Property tax	\$ 1,345,423	\$ 1,305,610	\$ 1,447,499	\$ 141,889
Earnings on investments	21,300	21,300	18,696	(2,604)
Other			27	27
<b>Total local sources</b>	<b>1,366,723</b>	<b>1,326,910</b>	<b>1,466,222</b>	<b>139,312</b>
<b>Total revenues</b>	<b>1,366,723</b>	<b>1,326,910</b>	<b>1,466,222</b>	<b>139,312</b>
<b>Expenditures</b>				
Debt Service				
Interest	468,516	468,516	468,516	-
Principal	944,642	944,642	944,642	-
Appropriated reserves	1,446,600	1,514,616		1,514,616
<b>Total expenditures</b>	<b>2,859,758</b>	<b>2,927,774</b>	<b>1,413,158</b>	<b>1,514,616</b>
<b>Excess revenue over (under) expenditures</b>	<b>(1,493,035)</b>	<b>(1,600,864)</b>	<b>53,064</b>	<b>1,653,928</b>
Net change in fund balance	(1,493,035)	(1,600,864)	53,064	1,653,928
Fund balance beginning of the year	1,493,035	1,600,864	1,601,045	181
<b>Fund balance end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,654,109</b>	<b>\$ 1,654,109</b>

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
High School  
Capital Projects Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local sources				
Earnings on investments		\$ 81	\$ 81	\$ -
Other local		16,150	16,150	-
Total local sources	-	16,231	16,231	-
<b>Total Revenues</b>	-	16,231	16,231	-
<b>Expenditures</b>				
Support Programs				
Facilities acquisition	706,063	359,163	359,163	-
Total Support Programs	706,063	359,163	359,163	-
<b>Total Expenditures</b>	706,063	359,163	359,163	-
Excess revenues over (under) expenditures	(706,063)	(342,932)	(342,932)	-
Net Changes in Fund Balances	(706,063)	(342,932)	(342,932)	-
Fund Balances beginning of the year	706,063	342,932	342,932	-
<b>Fund Balances end of the year</b>	\$ -	\$ -	\$ -	\$ -

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Capital Projects Fund

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Local sources				
Earnings on investments	\$ 15,000	\$ 15,000	\$ 16,851	\$ 1,851
Other local			1,200	1,200
Total local sources	<u>15,000</u>	<u>15,000</u>	<u>18,051</u>	<u>3,051</u>
State sources				
Grants	81,044	165,735	148,256	(17,479)
Total state sources	<u>81,044</u>	<u>165,735</u>	<u>148,256</u>	<u>(17,479)</u>
Federal sources				
Cash in Lieu of taxes	10,000	10,000	18,810	8,810
Total federal sources	<u>10,000</u>	<u>10,000</u>	<u>18,810</u>	<u>8,810</u>
<b>Total Revenues</b>	<u>106,044</u>	<u>190,735</u>	<u>185,117</u>	<u>(5,618)</u>
<b>Expenditures</b>				
Instructional Program	81,044	84,691	67,250	17,441
Support Programs				
Business		6,219	5,809	410
Operation and maintenance of plant	126,000	105,536	62,269	43,267
Student transportation	200,000	200,000	2,100	197,900
Food Service		66,895	62,933	3,962
Facilities acquisition	634,500	662,894	407,052	255,842
Appropriated reserves	824,761	824,761		824,761
<b>Total Expenditures</b>	<u>1,866,305</u>	<u>1,950,996</u>	<u>607,413</u>	<u>1,343,583</u>
Excess revenues over (under) expenditures	<u>(1,760,261)</u>	<u>(1,760,261)</u>	<u>(422,296)</u>	<u>1,337,965</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	700,000	700,000	700,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
Net Changes in Fund Balances	(1,060,261)	(1,060,261)	277,704	1,337,965
Fund Balances beginning of the year	1,060,261	1,060,261	1,060,260	(1)
<b>Fund Balances end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,337,964</u>	<u>\$ 1,337,964</u>

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**  
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual  
Proprietary Fund  
Internal Service Fund  
Self Insurance Fund

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		(Non GAAP Basis) Actual	Variance Favorable
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Unfavorable)</u>
<b>Operating Revenues</b>				
Premium revenue	\$ 2,906,640	\$ 2,906,640	\$ 3,020,559	\$ 113,919
Total local sources	<u>2,906,640</u>	<u>2,906,640</u>	<u>3,020,559</u>	<u>113,919</u>
<b>Operating Expenses</b>				
Central service				
Administration fees	201,000	340,000	39,149	300,851
Medial and Prescription Claims	2,855,000	2,956,000	3,418,982	(462,982)
Appropriated reserves	2,019,867	1,451,793		1,451,793
<b>Total operating expenses</b>	<u>5,075,867</u>	<u>4,747,793</u>	<u>3,458,131</u>	<u>1,289,662</u>
Operating income (loss)	(2,169,227)	(1,841,153)	(437,572)	1,403,581
<b>Non-Operating Revenue</b>				
Local sources				
Earnings on investments	13,200	13,200	10,793	(2,407)
<b>Change in net position non GAAP basis</b>	<u>(2,156,027)</u>	<u>(1,827,953)</u>	<u>(426,779)</u>	<u>1,401,174</u>
Net position beginning of the year	2,156,027	1,827,953	1,827,953	-
Net position end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,401,174</u>	<u>\$ 1,401,174</u>

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

Combining Statement of Net Position

Component Units

June 30, 2020

	Battlerock Charter School	Southwest Open School	Children's KIVA Montessori Charter School	Total
<b>Assets</b>				
Cash and investments	\$ 314,264	\$ 1,367,895	\$ 230,094	\$ 1,912,253
Due from school district			2,703	2,703
Other receivables			18,156	18,156
Grants receivable		23,212		23,212
Prepaid expenses			18,884	18,884
Capital assets - net of depreciation	72,046	742,764	1,839,199	2,654,009
<b>Total Assets</b>	<b>386,310</b>	<b>2,133,871</b>	<b>2,109,036</b>	<b>4,629,217</b>
<b>Deferred Outflows of Resources</b>				
Pensions, net of accumulated amortization	233,954	402,541	147,055	783,550
OPEB, net of accumulated amortization	8,992	5,952	8,314	23,258
<b>Total Deferred Outflows of Resources</b>	<b>242,946</b>	<b>408,493</b>	<b>155,369</b>	<b>806,808</b>
<b>Liabilities</b>				
Accounts payable	581		27,997	28,578
Due to RE-1 School District	1,545	7,652	6,880	16,077
Accrued salaries and benefits payable	25,477	108,420	67,134	201,031
Unearned grant revenue	41,258	72,380	48,989	162,627
Notes payable			2,086	2,086
Long-term liabilities				
Notes payable			1,240,996	1,240,996
Net pension liability	710,872	1,766,632	969,734	3,447,238
Net OPEB liability	34,929	86,865	47,671	169,465
<b>Total Liabilities</b>	<b>814,662</b>	<b>2,041,949</b>	<b>2,411,487</b>	<b>5,268,098</b>
<b>Deferred Inflows of Resources</b>				
Pensions, net of accumulated amortization	482,491	1,695,260	855,356	3,033,107
OPEB, net of accumulated amortization	7,015	30,068	16,707	53,790
<b>Total Deferred Inflows of Resources</b>	<b>489,506</b>	<b>1,725,328</b>	<b>872,063</b>	<b>3,086,897</b>
<b>Net Position</b>				
Net investment in capital assets	72,046	742,764	598,203	1,413,013
Restricted				
TABOR	25,000	45,000	31,195	101,195
Student activity	11,757			11,757
Capital projects		369,099		369,099
Unrestricted	(783,715)	(2,381,776)	(1,648,543)	(4,814,034)
<b>Total Net Position</b>	<b>\$ (674,912)</b>	<b>\$ (1,224,913)</b>	<b>\$ (1,019,145)</b>	<b>\$ (2,918,970)</b>

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

Combining Statement of Activities

Component Units

For the Year Ending June 30, 2020

	<u>Battlerock Charter School</u>	<u>Southwest Open School</u>	<u>Children's KIVA Montessori Charter School</u>	<u>Total</u>
<b>Governmental Activities</b>				
<b>Expenses</b>				
Instruction Program Services	\$ 365,923	\$ 410,440	\$ 437,184	\$ 1,213,547
Support Program Services	221,417	691,200	435,711	1,348,328
<b>Total Expenses</b>	<u>587,340</u>	<u>1,101,640</u>	<u>872,895</u>	<u>2,561,875</u>
<b>Business-type Activities</b>				
<b>Expenses</b>				
Building corporation			112,354	112,354
<b>Total Expenses</b>			<u>112,354</u>	<u>112,354</u>
<b>Program Revenues</b>				
Charges for services		108,052	120,825	228,877
Operating grants and contributions	72,178	459,806	237,843	769,827
Capital grants and contributions	20,357	33,601	106,500	160,458
<b>Total Program Revenues</b>	<u>92,535</u>	<u>601,459</u>	<u>465,168</u>	<u>1,159,162</u>
<b>General Revenues</b>				
Per pupil charter school allocation	600,538	991,299	797,975	2,389,812
Intergovernmental				
Public Lands	2,235	39,982		42,217
Contributions			23,144	23,144
Other	15,140	34,258	29	49,427
<b>Total General Revenues</b>	<u>617,913</u>	<u>1,065,539</u>	<u>821,148</u>	<u>2,504,600</u>
<b>Changes in Net Position</b>	123,108	565,358	301,067	989,533
Net Position Beginning of the Year (as restated)	(798,020)	(1,790,271)	(1,320,212)	(3,908,503)
<b>Net Position End of the Year</b>	<u>\$ (674,912)</u>	<u>\$ (1,224,913)</u>	<u>\$ (1,019,145)</u>	<u>\$ (2,918,970)</u>

**INFORMATION REQUIRED BY OVERSIGHT AUTHORITIES**

# Majors and Haley, P.C.

## Certified Public Accountants

PO Box 1478  
Cortez, Colorado 81321  
970-565-9521

Chris L Majors, CPA MT

Lori H Haley CPA

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

To the Board of Education  
Montezuma County (Cortez) School District RE-1  
Cortez, Colorado 81321

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montezuma County (Cortez) School District RE-1 as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Montezuma County (Cortez) School District RE-1's basic financial statements and have issued our report thereon dated November 3, 2020.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montezuma County (Cortez) School District RE-1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Montezuma County (Cortez) School District RE-1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Montezuma County (Cortez) School District RE-1's internal control.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montezuma County (Cortez) School District RE-1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*Majors and Haley P.C.*

Majors and Haley, P.C.  
Cortez, Colorado  
November 3, 2020

# Majors and Haley, P.C.

## Certified Public Accountants

PO Box 1478  
Cortez, Colorado 81321  
970-565-9521

Chris L Majors, CPA MT

Lori H Haley CPA

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

To the Board of Education  
Montezuma County (Cortez) School District RE-1  
Cortez, Colorado 81321

#### **Report on Compliance for Each Major Federal Program**

We have audited the Montezuma County (Cortez) School District RE-1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Montezuma County (Cortez) School District RE-1's major federal programs for the year ended June 30, 2020. The Montezuma County (Cortez) School District RE-1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Montezuma County (Cortez) School District RE-1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Montezuma County (Cortez) School District RE-1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Montezuma County (Cortez) School District RE-1's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, the Montezuma County (Cortez) School District RE-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

## **Report on Internal Control Over Compliance**

Management of the Montezuma County (Cortez) School District RE-1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Montezuma County (Cortez) School District RE-1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Montezuma County (Cortez) School District RE-1's internal control over compliance.

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

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

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

*Majors and Haley P.C.*

Majors and Haley, P.C.  
Cortez, Colorado  
November 3, 2020

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-thru Number	Expenditures
<b>U.S. Department of Agriculture</b>			
Passed through the Colorado Department of Education			
School Breakfast Program	10.553	4553	\$ 109,949
National School Lunch Program	10.555	4555	660,659
Special Milk Program for Children	10.556	4556	1,737
<b>Total</b>			<b>772,345</b>
Pass through the Colorado Department of Human Services			
Food Commodities	10.555	4555	80,290
<b>Total U.S. Department of Agriculture</b>			<b>852,635</b>
<b>Department of the Treasury</b>			
Passed through the Colorado Department of Education			
Corona Relief	21.019	4012	299,330
<b>Total Department of the Treasury</b>			<b>299,330</b>
<b>U.S. Department of Education</b>			
Direct program			
Impact Aid - P.L. 81-874	84.041	4041	750,545
Title VII - Indian Education	84.060	4060	157,366
<b>Total</b>			<b>907,911</b>
Passed through the Colorado Department of Education			
Title I Grants to Local Educational Agencies	84.010	4010	770,219
Title I Grants to Local Educational Agencies	84.010	5010	211,455
Title I School Improvement	84.377	7377	70,589
<b>Total Title I</b>			<b>1,052,263</b>
Colorado Multi-Tiered Behavioral	84.184	8174	24,000
Rural Education Title VI Part B	84.358	6358	26,141
Title VI Student Support	84.424	4424	70,163
Improving Teacher Quality State Grants Title II Part A	84.367	4367	145,843
<b>Total</b>			<b>1,318,410</b>
Passed through the Colorado Community College System			
Career and Technical Education Perkins IV	84.048	4048	73,916
Passed through the Centennial BOCES			
Title III Part A English Language Learners	84.365	4365	8,808
<b>Total U.S. Department of Education</b>			<b>2,309,045</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 3,461,010</b>

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2020

***BASIS OF PRESENTATION***

The accompanying Schedule of Expenditures of Federal Awards present the activity of all federal award programs expended by Montezuma County (Cortez) School District RE-1 for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting.

***FOOD DISTRIBUTION***

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

***SUBRECIPIENTS***

Montezuma County (Cortez) School District RE-1 had no sub-recipients of federal funds for the year ended June 30, 2020.

***INDIRECT COST RATE***

The District did not elect to use the 10 percent de minimus cost rate.

# MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2020

### SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the (general purpose) financial statements of Montezuma Cortez School District RE-1.
2. No significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the (general purpose) financial statements of Montezuma Cortez School District RE-1 were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for Montezuma Cortez School District RE-1 expressed an unqualified opinion on all major programs.
5. No instances of audit findings relating to major programs were disclosed during the audit.
6. The programs tested as major programs included:

Food Service Cluster	
School Breakfast Program	CFDA Number 10.533
National School Lunch Program	CFDA Number 10.555
Special Milk Program	CFDA Number 10.556
7. The threshold for distinguishing Types A and B programs was \$750,000.
8. Montezuma Cortez School District RE-1 was determined to be a low-risk auditee.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Year Ended June 30, 2020

There were no findings or questioned costs relative to federal awards in the prior year.

**MONTEZUMA COUNTY (CORTEZ) SCHOOL DISTRICT RE-1**

SCHEDULE OF CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2020

There were no audit findings to be included in the current audit report; therefore, a corrective action plan is not necessary.



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 2035 - Montezuma-Cortez RE-1  
 Fiscal Year 2019-20  
 Colorado School District/BOCES

**Revenues, Expenditures, & Fund Balance by Fund**

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+	=	=	=
10 General Fund	9,439,937	22,769,073	19,551,713	12,657,298
18 Risk Mgmt Sub-Fund of General Fund	226,173	124,008	172,300	177,880
19 Colorado Preschool Program Fund	61,295	730,220	764,715	26,801
<b>Sub- Total</b>	<b>9,727,404</b>	<b>23,623,302</b>	<b>20,488,727</b>	<b>12,861,979</b>
11 Charter School Fund	1,038,414	2,944,405	2,812,775	1,170,044
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	94,417	1,155,569	1,214,376	35,610
22 Govt Designated-Purpose Grants Fund	10,507	3,162,182	3,164,472	8,218
23 Pupil Activity Special Revenue Fund	288,287	367,182	322,085	333,384
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,601,045	1,466,223	1,413,158	1,654,109
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	342,932	16,231	359,163	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,516,482	940,242	749,661	1,707,063
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>14,619,488</b>	<b>33,675,336</b>	<b>30,524,417</b>	<b>17,770,406</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	488,958	234,388	112,354	610,992
64 (63) Risk-Related Activity Fund	1,827,953	27,369	454,149	1,401,174
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>2,316,911</b>	<b>261,757</b>	<b>566,503</b>	<b>2,012,165</b>
<b>Fiduciary</b>				
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
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FINAL