

EL PASO COUNTY SCHOOL DISTRICT NO. 14

FINANCIAL STATEMENTS
With Independent Auditors' Report

Year Ended June 30, 2020

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JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
El Paso County School District No. 14

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Paso County School District No. 14, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 14, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, effective July 1, 2019, El Paso County School District No. 14 adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information 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 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 El Paso County School District No. 14's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Hoelting & Company, Inc.

Colorado Springs, Colorado
December 15, 2020

**EL PASO COUNTY SCHOOL DISTRICT #14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

As management of El Paso County School District #14 (the District) we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- ◆ With the allocation of PERA's unfunded liability to the District per GASB 68, the District has a total net position of \$(23,514,659). This negative ending net position is directly related to the \$26,098,288 net pension and OPEB liabilities. Because the PERA unfunded liability so greatly skews net position of the district wide statements, the General Fund tends to provide a more accurate picture of financial results. At June 30, 2020, the General Fund reported an ending fund balance of \$5,121,984, which was 31.9% of total expenditures for the year. Unassigned fund balance was \$4,455,054, which may be used to meet the District's ongoing obligations.
- ◆ The largest operational portion of the District's net position is its \$10,250,407 investment in capital assets (equipment and facilities) net of accumulated depreciation and related debt.
- ◆ The District's debt from a Series 2011 General Obligation Bond totals \$745,000; this is scheduled to be paid off in the year 2020.
- ◆ Restricted Net Position of the District include \$749,254 for debt service obligations, and \$537,000 required by TABOR, the emergency contingency required by Article X, Section 20 of the Colorado Constitution.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements. Included in this review is a comparison to the previous year's activity for government-wide data.

The District's basic financial statements consist of three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide readers with a broad overview of the District's finances as a whole, in a manner similar to a private-sector business and include two statements:

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

- 2) The statement of activities presents information reporting how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Earned but unused vacation leave and accrued interest expense are examples of these types of items.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on its most significant funds, not the District as a whole. The District has one kind of fund: governmental funds.

Governmental Funds: All of the District's basic services are included in governmental funds, which focus on (1) how money flows into and out of those funds and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's programs.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balance for the general fund, which is considered a major fund. Data from the additional governmental funds, the food service, designated purpose grants, pupil activities, other activities, debt service, and capital projects, are combined into a single, aggregated presentation in the form of combining statements elsewhere in the report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District. The District adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the general fund, all major special revenue funds, debt service fund, and capital project fund to demonstrate compliance with the budget.

DISTRICT-WIDE FINANCIAL ANALYSIS

- 51.9% of the District’s assets are its investment in capital assets (e.g. land, buildings, equipment). The District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the District’s net position as of June 30, 2019 and 2020:

Condensed Statement of Net Position

| | 2018-19 | 2019-20 |
|---------------------------------------|----------------|----------------|
| ASSETS | | |
| Current Assets-Unrestricted | \$7,301,966 | \$9,465,324 |
| Current Assets-Restricted | \$876,424 | \$722,529 |
| Capital Assets | \$11,347,917 | \$10,995,407 |
| Total Assets | \$19,526,307 | \$21,183,260 |
| Deferred Outflows of Resources | \$9,963,262 | \$3,815,295 |
| LIABILITIES | | |
| Current Liabilities | \$1,834,770 | \$2,714,943 |
| Long Term Liabilities | \$1,785,422 | \$882,605 |
| Net Pension and OPEB liabilities | \$32,035,068 | \$27,381,481 |
| Total Liabilities | \$35,655,260 | \$30,979,029 |
| Deferred Inflows of Resources | \$22,824,374 | \$17,534,185 |
| NET POSITION | | |
| Net Investment in Capital Assets | \$9,710,400 | \$10,250,407 |
| Restricted | \$1,416,242 | \$1,286,254 |
| Unrestricted | \$(40,116,707) | \$(35,051,320) |
| Total Net Position | \$(28,990,065) | \$(23,514,659) |

* Management note: see first item under Financial Highlights on page i for comment on Total Net Position

The following is a summary of the District’s revenues, expenditures, and change in net position:

Condensed Statement of Activities

| Governmental Activities | 2018-19 | 2019-20 |
|--|----------------|----------------|
| REVENUES | | |
| Program Revenues: | | |
| Charges for Services | \$357,154 | \$652,760 |
| Operating Grants/Contributions | \$980,892 | \$884,109 |
| Capital Grants/Contributions | \$- | \$- |
| General Revenues: | | |
| Local Prop/SO Taxes | \$8,036,592 | \$8,584,320 |
| State Equalization | \$8,794,413 | \$9,037,738 |
| Grants and contributions not restricted to specific programs | \$- | \$2,321 |
| Investment Earnings | \$102,114 | \$80,987 |
| Miscellaneous | \$368,639 | \$108,646 |
| Transfers | \$- | \$- |
| Total Revenues | \$18,639,804 | \$19,350,881 |
| EXPENSES AND CHANGE IN NET ASSETS | | |
| Instruction | \$(7,755,336) | \$(7,819,090) |
| Supporting Services: | \$(5,860,394) | \$(5,787,841) |
| Food Services | \$(544,130) | \$(522,312) |
| Community Services | \$(180) | \$(10,610) |
| Facilities Acquisition/Construction | \$(137,078) | \$(137,690) |
| Interest on Long-Term Debt | \$(16,677) | \$(36,389) |
| Total Expenses | \$(14,313,795) | \$(14,313,932) |
| Change in Net Position | \$4,326,009 | \$5,036,949 |
| Beginning Net Position, as originally stated | \$(33,316,074) | \$(28,990,065) |
| Adjustments to beginning net position | \$- | \$438,457 |
| Beginning Net Position, as restated | \$(33,316,074) | \$(28,551,608) |
| Ending Net Position | \$(28,990,065) | \$(23,514,659) |

The primary source of revenue for Colorado school districts comes from the School Finance Act (SFA) of 1994, as amended. Under the SFA the District received \$8,263.32 in 2018-19 and \$8,631.93 in 2019-20 in per pupil funding (PPF) for each full time equivalent (FTE) student. Normal funding for the SFA comes from property taxes, specific ownership taxes, and state equalization payments (which supplement the amount the district raises locally through property taxes and specific ownership taxes).

A “budget stabilization factor” applied to state equalization in recent years has prevented the District from receiving its full per pupil funding amount; this decrease in state funding has been caused by the legislature’s need to comply with the Colorado constitution, which requires a balanced budget, so the

state has not paid the District what it is owed by the SFA funding formula. This decrease in state funding to the District was \$934,557 in 2019-20, and totals \$13,991,835 since the 2008-2009 school year.

The District is fortunate that its voters have approved three mill levy overrides (MLO's); the most recent override was passed in November 2015, and increased the override amount from \$1,900,000 to \$3,700,000. In addition, the district was approved to collect up to 25% of total program funding. These overrides were passed to attract and retain personnel, and to maintain and upgrade the district's buildings, equipment and grounds. Since the "budget stabilization factors" have begun, the overrides have served the purpose of offsetting these reductions in state funding.

ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The **general fund** is the primary operating fund of the District. The fund balance for the general fund was \$4,900,528 at the start of the fiscal year and \$5,121,984 at the end, an increase of \$221,456. A \$5.1 million fund balance is large for a school district the size of Manitou if there was an expectation of year-to-year increases in PPF; this remains an uncertainty as long as the budget stabilization factors continue.

The management decision will be to determine how long the funding problems for the state will continue, whether the funding reductions will grow larger, and therefore what amount the district should keep in its fund balance. The MLO's place the District in a better position to deal with this uncertainty.

The District maintains an **insurance fund** within the general fund for the expenses associated with its risk related activities. The insurance fund balance increased from \$42,526 during the year to \$72,140 (this is in addition to the general fund balance).

Non-major Governmental Funds

Information for additional governmental funds is aggregated and reported as non-major governmental funds on the balance sheet, and the statement of revenues, expenditures and changes in fund balances. Further detail by fund is reported as part of the required supplementary information section of this report. Included in the District's non-major governmental funds are the food service fund, designated purpose grants fund, pupil activity fund, other activity fund, debt service fund, and capital projects fund.

The **food service fund** is used to account for all financial activities associated with the school breakfast and lunch programs. Revenues come primarily from charges for meals, state matching funds, and reimbursements under the Federal Child Nutrition Act. Revenues during the year were \$342,006; in addition, there were transfers from the general fund totaling \$150,000 to supplement revenues. Net position decreased by \$28,324 during the year to \$50,328.

The **governmental designated purpose grants fund** maintains separate accounts for each federal, state, and local grant funded program. Grant funds are awarded for a specific use as defined in the grant application and can only be used for the purposes for which they were granted, primarily to improve student achievement. The District received \$114,542 in grants revenue during the year.

The **pupil activity fund** accounts for salaries and benefits for activity sponsors, athletic coaches, game staff, athletic and safety equipment, and game expenses (including travel to out-of-town events and officials for home games). Revenues from gate receipts, season tickets, and fund raising amounted to \$109,156 during the year. An operating transfer from the General Fund in the amount of \$550,000 provided the bulk of funds required to run the various programs. Ending fund balance increased by \$14,413 during the year to \$101,455.

The District's **other activity fund** was created to support donations and fundraisers for student activities. Deposits to this fund consist of donations, grants, student fundraisers and vending machine receipts, and totaled \$367,698 for FY20; disbursements totaled \$280,822. Ending balance in this fund was \$525,333.

The **debt service fund** exists to service the repayment of the District's general obligation construction bond (Series 2001 originally issued for \$8,500,000), which was refunded during 2010-11 and replaced with a Series 2011 Bond. There was a final payment on the 2001 bond during 2011-12. The remaining principal balance as of June 30, 2020 was \$745,000 for the 2011 bond; fund balance for the bond redemption fund as of the same date was \$749,254.

The **capital projects fund** for the District is funded by an allocation from the general fund and provides for the purchase of capital equipment and building/site improvements. The ending fund balance is \$179,948.

BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with state law. The most significant budgeted fund is the general fund. The District must keep in mind the uncertain economic conditions in the state, which may require the continued use of override funds and the district's large fund balance to offset possible reductions in per pupil funding from the state.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, buildings, improvements, machinery, vehicles, equipment, and any construction in progress. The District's investment in capital assets for its governmental activities at the end of the year was \$10,995,407, net of accumulated depreciation.

Debt Administration

At the end of FY20, the District had \$745,000 of long term debt outstanding; \$745,000 in principal and \$14,900 in interest payments are due in FY21.

ECONOMIC FACTORS

Normal funding changes for school districts in Colorado are limited to inflation plus population growth. Inflation is determined by the consumer price index for the Denver-Boulder area, and that rate is applied to the amount of per pupil funding for an FTE student. Population growth is defined by the change in the number of students attending the school district. The largest component of per pupil funding for Manitou is state equalization paid by the state of Colorado; a decrease in state revenues led to reductions in PPF in recent years. The District has been able to offset some of these reductions in state equalization funding by an increase in student enrollment.

The student population in recent years is as follows:

1,376 students (1,311.2 FTE) in 2008-09
1,405 students (1,337.0 FTE) in 2009-10
1,418 students (1,343.7 FTE) in 2010-11
1,510 students (1,434.5 FTE) in 2011-12
1,500 students (1,429.7 FTE) in 2012-13
1,480 students (1,422.3 FTE) in 2013-14
1,458 students (1,429.9 FTE) in 2014-15
1,492 students (1,438.6 FTE) in 2015-16
1,490 students (1,433.4 FTE) in 2016-17
1,399 students (1,405.9 FTE) in 2017-18
1,498 students (1,431.5 FTE) in 2018-19

The count for 2019-20 increased to 1,441 students (1,432.5 FTE).

Overall, enrollment has remained strong despite the District's "landlocked" location with mountains on one side and the city of Colorado Springs (and other school districts) on the other. There is little available land for the development of new housing areas that would bring an increasing number of students; the overall increase is a result of students "choicing" into the District from surrounding school districts.

REQUESTS FOR INFORMATION

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Manitou Springs School District 14, 405 El Monte Place, Manitou Springs, CO 80829.

BASIC FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT NO. 14
STATEMENT OF NET POSITION
JUNE 30, 2020

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 8,227,103 |
| Restricted cash and investments | 722,529 |
| Cash with county treasurer | 139,794 |
| Taxes receivable | 999,084 |
| Other receivables | 32,940 |
| Inventories and prepaid items | 66,403 |
| Capital assets, not being depreciated | 1,181,408 |
| Capital assets being depreciated | 9,813,999 |
| | 21,183,260 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred pension outflows | 3,690,783 |
| Deferred OPEB outflows | 124,512 |
| | 3,815,295 |
| LIABILITIES | |
| Accounts payable and other current liabilities | 137,185 |
| Accrued salaries and benefits | 1,758,753 |
| Unearned revenue | 814,120 |
| Accrued interest | 4,885 |
| Long-term liabilities | |
| Due within on year | |
| Long-term debt | 745,000 |
| Due in more than one year | |
| Compensated absences | 137,605 |
| Net pension liability | 26,098,288 |
| Net OPEB liability | 1,283,193 |
| | 30,979,029 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred pension inflows | 17,297,143 |
| Deferred OPEB inflows | 237,042 |
| | 17,534,185 |
| NET POSITION | |
| Net investment in capital assets | 10,250,407 |
| Restricted for: | |
| Emergency reserve (TABOR) | 537,000 |
| Debt service | 749,254 |
| Unrestricted | (35,051,320) |
| | \$ (23,514,659) |
| | \$ (23,514,659) |

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

| <u>Functions/Programs</u> | <u>Program Revenue</u> | | | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|--|------------------------|---------------------------------|---|---|--|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental activities: | | | | | |
| Instruction | \$ 7,819,090 | \$ 438,958 | \$ 685,458 | \$ - | \$ (6,694,674) |
| Supporting services | 5,787,841 | 60,197 | 19,404 | - | (5,708,240) |
| Food service operations | 522,312 | 145,854 | 179,247 | - | (197,211) |
| Community services | 10,610 | 7,751 | - | - | (2,859) |
| Facilities acquisition | 137,690 | - | - | - | (137,690) |
| Interest on long-term debt | 36,389 | - | - | - | (36,389) |
| Total | <u>\$ 14,313,932</u> | <u>\$ 652,760</u> | <u>\$ 884,109</u> | <u>\$ -</u> | <u>(12,777,063)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 7,725,232 |
| Specific ownership taxes | | | | | 859,088 |
| State equalization | | | | | 9,037,738 |
| Grants and contributions not restricted to specific programs | | | | | 2,321 |
| Unrestricted investment earnings | | | | | 80,987 |
| Miscellaneous | | | | | 108,646 |
| Total general revenues | | | | | <u>17,814,012</u> |
| Change in net position | | | | | 5,036,949 |
| Net position - beginning (deficit) - as restated | | | | | <u>(28,551,608)</u> |
| Net position - ending (deficit) | | | | | <u>\$ (23,514,659)</u> |

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

| | General Fund | Total Nonmajor Funds | Total Governmental Funds |
|--|---------------------|-------------------------------------|---|
| ASSETS | | | |
| Cash and investments | \$ 7,506,474 | \$ 720,629 | \$ 8,227,103 |
| Restricted cash and investments | - | 722,529 | 722,529 |
| Cash with fiscal agent | 134,018 | 5,776 | 139,794 |
| Taxes receivable | 915,403 | 83,681 | 999,084 |
| Other receivables | - | 32,940 | 32,940 |
| Due from other funds | 74,499 | 269,718 | 344,217 |
| Inventories and prepaid items | 57,790 | 8,613 | 66,403 |
| Total assets | <u>\$ 8,688,184</u> | <u>\$ 1,843,886</u> | <u>\$ 10,532,070</u> |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | \$ 136,754 | \$ 431 | \$ 137,185 |
| Accrued salaries and benefits | 1,687,974 | 70,779 | 1,758,753 |
| Due to other funds | 313,532 | 30,685 | 344,217 |
| Unearned revenue | 741,179 | 72,941 | 814,120 |
| Total liabilities | 2,879,439 | 174,836 | 3,054,275 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue-property taxes | 686,761 | 62,732 | 749,493 |
| Total deferred inflows of resources | 686,761 | 62,732 | 749,493 |
| FUND BALANCES | | | |
| Nonspendable for: | | | |
| Inventories and prepaid items | 57,790 | 8,613 | 66,403 |
| Restricted for: | | | |
| Emergency reserve (TABOR) | 537,000 | - | 537,000 |
| Debt service | - | 749,254 | 749,254 |
| Committed for: | | | |
| Food service operations | - | 41,715 | 41,715 |
| Pupil Activities | - | 525,333 | 525,333 |
| Assigned for: | | | |
| Risk management | 72,140 | - | 72,140 |
| Pupil Activities | - | 101,455 | 101,455 |
| Capital projects | - | 179,948 | 179,948 |
| Unassigned | 4,455,054 | - | 4,455,054 |
| Total fund balances | 5,121,984 | 1,606,318 | 6,728,302 |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 8,688,184</u> | <u>\$ 1,843,886</u> | <u>\$ 10,532,070</u> |

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2020

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

| | | |
|---|------------------|----------------------------|
| Total fund balance - governmental funds | \$ | 6,728,302 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Capital assets, not being depreciated | \$ | 1,181,408 |
| Capital assets, net of depreciation | <u>9,813,999</u> | 10,995,407 |
| Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds. | | |
| | | 749,493 |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds: | | |
| Net pension liabilities | \$ | (26,098,288) |
| Pension outflows | | 3,690,783 |
| Pension inflows | | (17,297,143) |
| Net OPEB liabilities | | (1,283,193) |
| OPEB outflows | | 124,512 |
| OPEB inflows | | (237,042) |
| Accrued interest | | (4,885) |
| Compensated absences | | (137,605) |
| Bonds payable | | <u>(745,000)</u> |
| | | <u>(41,987,861)</u> |
| Net position of governmental activities in the statement of net position | \$ | <u><u>(23,514,659)</u></u> |

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>General Fund</u> | <u>Total Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------------------|---|
| REVENUES | | | |
| Local sources | \$ 7,665,998 | \$ 1,255,425 | \$ 8,921,423 |
| State sources | 9,635,509 | 5,525 | 9,641,034 |
| Federal sources | 243,267 | 288,264 | 531,531 |
| | <u>17,544,774</u> | <u>1,549,214</u> | <u>19,093,988</u> |
| EXPENDITURES | | | |
| Instruction | 9,046,490 | 982,370 | 10,028,860 |
| Supporting services | 7,001,828 | 567,156 | 7,568,984 |
| Food service operations | - | 520,330 | 520,330 |
| Community services | - | 10,616 | 10,616 |
| Facilities acquisition and construction | - | 30,585 | 30,585 |
| Debt service | - | 759,800 | 759,800 |
| | <u>16,048,318</u> | <u>2,870,857</u> | <u>18,919,175</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,496,456</u> | <u>(1,321,643)</u> | <u>174,813</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 1,275,000 | 1,275,000 |
| Transfers out | (1,275,000) | - | (1,275,000) |
| | <u>(1,275,000)</u> | <u>1,275,000</u> | <u>-</u> |
| Net change in fund balances | 221,456 | (46,643) | 174,813 |
| Fund balances - beginning - as restated | <u>4,900,528</u> | <u>1,652,961</u> | <u>6,553,489</u> |
| Fund balances - ending | <u>\$ 5,121,984</u> | <u>\$ 1,606,318</u> | <u>\$ 6,728,302</u> |

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

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

| | | |
|---|------------------|---------------------|
| Net change in fund balances - total governmental funds: | \$ | 174,813 |
| | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital outlays | \$ 373,402 | |
| Depreciation | <u>(725,912)</u> | (352,510) |
| | | |
| Governmental funds do not present property tax revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned. | | 507,611 |
| | | |
| Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid. | | 8,411 |
| | | |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Repayment of principal | \$ 844,467 | |
| Amortization of deferred on refunding | <u>48,050</u> | 892,517 |
| | | |
| Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year. | | 10,298 |
| | | |
| Certain pension and OPEB expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | | |
| Pension expenses | \$ 3,783,326 | |
| OPEB expenses | <u>12,483</u> | <u>3,795,809</u> |
| Change in net position of governmental activities | | <u>\$ 5,036,949</u> |

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

NOTES TO FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of El Paso County School District No. 14 (the District), Manitou Springs, Colorado, conform to generally accepted accounting policies as applicable to governments.

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

A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. REPORTING ENTITY

The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

The District has no component units for which either discrete or blended presentation is required.

C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds.

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

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the government's funds. Separate statements for each fund category are presented. 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 emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise 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 reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Included in the General Fund presentation is a Risk-Management Sub-Fund of the General Fund. This fund allows the District to separate risk management accounting and maintain a self-balancing set of records specific to insurance reserve requirements.

Additionally, the District reports the following fund types:

Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

The *Food Service Fund* accounts for the District's food service program. This fund is required to account for USDA school breakfast and lunch money received by the District.

The *Governmental Designated-Purpose Grants Fund* is used to record financial transactions for grants received for designated programs funded by federal, state or local governments.

The *Pupil Activity Fund* is used to account for the revenues and expenditures related to school sponsored student intrascholastic and interscholastic athletic and other related activities. This fund receives subsidies from the General fund.

The *Other Activities Fund* is used to account for the revenues and expenditures related to other student intrascholastic and interscholastic athletic and related activities.

The *Debt Service Fund* accounts for the servicing of long-term debt not being financed by the capital reserve or other funds.

The *Capital Projects Fund* is used to account for significant capital expenditures of the District.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (CONTINUED)

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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 service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as other financing sources, and acquisitions of capital leased assets are reported as other financing uses.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Those revenues susceptible to accrual are property taxes, interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue. Other revenues, such as transportation, vocational and special education, are not susceptible to accrual because, generally, they are not measurable until received in cash. Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

F. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

Cash and cash equivalents

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash account is available to meet current operating requirements. Surplus or temporary surplus money in each separate fund may be invested, but no mixing between funds is allowed. Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories and prepaid items

Inventories are valued on the average cost basis. When individual inventory items are purchased, they are recorded as assets. When they are consumed, they are recorded as expenditures in governmental funds.

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 values, which approximate fair value at the date of receipt.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted cash and cash equivalents

The use of certain cash and cash equivalents of the District is restricted. These cash items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (CONTINUED)

Capital Assets

Capital assets, which include sites, site improvements, buildings and improvements, transportation, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization level for equipment is \$5,000 in all funds. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

| | |
|-------------------|---------------|
| Buildings | 15 - 50 years |
| Site improvements | 20 - 50 years |
| Transportation | 10 - 15 years |
| Equipment | 5 - 10 years |

Pensions

El Paso County School District No. 14 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.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (CONTINUED)

Health Care Trust Fund

El Paso County School District No. 14 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of resources

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

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

Long-term liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

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

Net position flow assumption

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (CONTINUED)

Fund balance flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

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

Compensated absences

Sick pay: Under the District's policies, all employees earn annual sick leave based upon their employment status as either a nine month or twelve month employee. All full time employees with at least five years of continuous service are eligible to receive upon resignation, termination, retirement or death, prorated payment of their accumulated annual sick leave.

The District has recorded the accrued liability for the sick pay in the accompanying financial statements. Unpaid liability for the sick pay for the governmental funds is recorded in the government-wide financial statements.

Vacation pay: The District has recorded the accrued liability for the dollar value of accumulated unpaid vacation that will be paid to employees upon separation from District service.

The current portion of this liability represents the amounts that would be liquidated with expendable available financial resources and would be recorded in the General Fund. The current portion is not material. Therefore, a liability of these benefits has not been reflected in these statements.

H. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. ADOPTION OF NEW ACCOUNTING STANDARD

El Paso County School District No. 14 implemented GASB Statement No. 84, *Fiduciary Activities*, effective July 1, 2019. This Statement establishes specific criteria for identifying activities that should be reported as fiduciary activities. As a result, net position at June 30, 2019, was restated to reflect the cumulative effect of adopting this standard.

Restatements had the following impact on previously reported balances:

Governmental Activities:

| | |
|--|------------------------|
| Net Position, June 30, 2019, as originally stated | \$ (28,990,065) |
| Adoption of new accounting standard | <u>438,457</u> |
| Net Position, June 30, 2019, as restated (deficit) | <u>\$ (28,551,608)</u> |

Governmental Funds:

| | |
|---|---------------------|
| Fund Balance, June 30, 2019, as originally stated | \$ 6,115,032 |
| Adoption of new accounting standard | <u>438,457</u> |
| Fund Balance, June 30, 2019, as restated | <u>\$ 6,553,489</u> |

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

1. At the May board meeting of the Board of Education, the Assistant Superintendent and Superintendent of Schools submit to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at Board of Education meetings to obtain taxpayers comments.
3. Prior to June 30, the budget is adopted by the Board of Education.
4. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects, Debt Service, and Trust and Agency Funds.
6. Budgets for the General, Special Revenue, Capital Projects, Debt Service, and Trust and Agency Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in this report are as originally adopted or amended.
7. All original and supplemental appropriations for all funds lapse at the end of the fiscal year.

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2020 is as follows:

| | |
|-------------|---------------------|
| Deposits | \$ 478,358 |
| Investments | <u>8,471,274</u> |
| Total | <u>\$ 8,949,632</u> |

Deposits and investments are reported in the financial statements as follows:

| | |
|---------------------------------|---------------------|
| Cash and investments | \$ 8,227,103 |
| Restricted cash and investments | <u>722,529</u> |
| Total | <u>\$ 8,949,632</u> |

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

DEPOSITS

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the District’s deposits at June 30, 2020 was \$478,358 and the bank balances were \$482,903. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$232,903 was uninsured but collateralized in accordance with the provisions of the PDPA. The collateral is pooled and held in trust for all uninsured deposits as a group.

INVESTMENTS

The District is authorized by Colorado statutes to invest in the following:

- ◆ Obligations of the United States and certain U.S. government agencies’ securities;
- ◆ Certain international agencies’ securities;
- ◆ General obligation and revenue bonds of U.S. local government entities;
- ◆ Bankers’ acceptances of certain banks;
- ◆ Certain commercial paper;
- ◆ Local government investment pools;
- ◆ Written repurchase agreements collateralized by certain authorized securities;
- ◆ Certain money market fund;
- ◆ Guaranteed investment contracts.

At June 30, 2020 the District’s investment balances were as follows:

| <u>Investments</u> | <u>Maturities</u> | <u>Fair Value</u> |
|------------------------|-------------------|---------------------|
| ColoTrust | Less than 60 days | \$ 8,462,221 |
| Certificate of Deposit | Less than 60 days | <u>9,053</u> |
| | | <u>\$ 8,471,274</u> |

Credit Risk: State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of June 30, 2020 all of the District’s investments were rated AAAM by Standard & Poor’s.

The District has invested in the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the District does not categorize investments with COLOTRUST because they are not evidenced by securities that exist in physical or book entry form.

NOTE 4 – RECEIVABLES

Receivables as of year-end for the government’s individual major funds and non-major funds in the aggregate, are as follows:

| | <u>General</u> | Non-major Governmental <u>Funds</u> | <u>Total</u> |
|--------------|--------------------|---|---------------------|
| Receivables: | | | |
| Property tax | \$ 915,403 | \$ 83,681 | \$ 999,084 |
| Other | <u> -</u> | <u> 32,940</u> | <u> 32,940</u> |
| Total | <u>\$ 915,403</u> | <u>\$ 116,621</u> | <u>\$ 1,032,024</u> |

The District expects uncollectible amounts to be insignificant; accordingly, no allowance for uncollectible accounts has been made.

NOTE 5 – TAXES

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on December 31 and are payable in full by April 30, or are payable in two equal installments due February 28 and June 15. The El Paso County Treasurer bills and collects the District’s property tax. District property tax revenues are recognized when levied to the extent they result in current receivables.

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended December 31, 2020 is 53.894 mills for general operating expenses and 4.923 mills for the payment of long-term debt. The District’s assessed valuation for the collection year 2020 is \$131,738,700.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 – TAXES (CONTINUED)

SPECIFIC OWNERSHIP TAXES

Specific ownership taxes are collected by the county for motor vehicle and other personal property registered in the District’s assessment area. The tax receipts collected by the county are remitted to the District in the subsequent month. Specific ownership taxes are recorded as revenue when collected by the county.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and Payables

All interfund receivables and payables are created in conjunction with the District’s pooled cash and investment portfolios. Balances are routinely cleared as a matter of practice.

The composition of interfund balances at June 30, 2020 is as follows:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|----------------|---------------------------------|-------------------------------|
| General Fund | \$ 74,499 | \$ 313,532 |
| Nonmajor Funds | <u>269,718</u> | <u>30,685</u> |
| Total | <u>\$ 344,217</u> | <u>\$ 344,217</u> |

Transfers

Interfund transfer activity for the year ended June 30, 2020 is as follows:

| | <u>Transfers out</u> |
|-----------------------|----------------------|
| <u>Transfers In</u> | <u>General Fund</u> |
| Non-major Gov’t Funds | \$ <u>1,275,000</u> |
| Total | <u>\$ 1,275,000</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move capital assets from one fund to another fund when the fund using the capital assets changes.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - CAPITAL ASSETS

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

| | <u>Balance</u> <u>06/30/19</u> | <u>Additions</u> | <u>Sales and</u> <u>Retirements</u> | <u>Balance</u> <u>06/30/20</u> |
|-------------------------------------|-----------------------------------|---------------------|--|-----------------------------------|
| <i>Governmental Activities</i> | | | | |
| Non-depreciable assets: | | | | |
| Sites | \$ 1,155,307 | \$ - | \$ - | \$ 1,155,307 |
| Construction in Progress | <u>-</u> | <u>26,101</u> | <u>-</u> | <u>26,101</u> |
| Total non-depreciable assets | <u>1,155,307</u> | <u>26,101</u> | <u>-</u> | <u>1,181,408</u> |
| Depreciable assets: | | | | |
| Site improvements | 3,408,362 | 138,039 | - | 3,546,401 |
| Buildings | 18,389,322 | 149,361 | - | 18,538,683 |
| Transportation | 1,244,996 | 16,744 | (9,025) | 1,232,715 |
| Equipment | <u>1,993,740</u> | <u>43,157</u> | <u>(3,937)</u> | <u>2,032,960</u> |
| Total depreciable assets | <u>25,016,420</u> | <u>347,301</u> | <u>(12,962)</u> | <u>25,350,759</u> |
| Less accumulated depreciation | <u>(14,823,810)</u> | <u>(725,912)</u> | <u>12,962</u> | <u>(15,536,760)</u> |
| Total depreciable assets, net | <u>10,192,610</u> | <u>(378,611)</u> | <u>-</u> | <u>9,813,999</u> |
| <i>Governmental activities, net</i> | <u>\$ 11,347,917</u> | <u>\$ (352,510)</u> | <u>\$ -</u> | <u>\$ 10,995,407</u> |

Depreciation expense was charged to functions/programs of the governmental activities as follows:

| | |
|------------------------|-------------------|
| Instruction | \$ 359,270 |
| Supporting services | 226,746 |
| Food Service | 2,206 |
| Facilities acquisition | <u>137,690</u> |
| | <u>\$ 725,912</u> |

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2020, are \$1,758,753 in the governmental funds. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements.

NOTE 9 - LONG-TERM LIABILITIES

GENERAL OBLIGATION BONDS

Principal
Balance

2011 refunding bonds were issued on June 7, 2011 to advance refund the District’s outstanding 2001 building bonds. Principal is due annually on November 1 beginning in 2012 through 2020. Interest is due semi-annually on November 1 and May 1 and accrue at an annual interest rate between 2.0% and 4.0%.

\$ 745,000

The last bond election for the District was in 2000 when the voters approved the issuance of \$8,500,000 of general obligation bonds, of which \$8,500,000 has been issued.

There is \$749,254 available in the Debt Service Fund to service the general obligation building bonds.

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | Governmental Activities | |
|---|-------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ <u>745,000</u> | \$ <u>14,900</u> |

CAPITAL LEASES

Lighting Equipment

The District entered into a lease as lessee on June 12, 2017 for lighting equipment with a cost of \$288,800. This lease qualifies as a capital lease. The lease requires annual payments of \$100,449 beginning July 15, 2017 through July 19, 2019. Upon full satisfaction of the lease, the ownership of the equipment will transfer to the District. This was paid off in 2019.

New Phone System

The District entered into a lease as lessee on October 15, 2017 for a new phone system with a cost of \$98,707. This lease qualifies as a capital lease. The lease requires annual payments of \$32,902 beginning November 15, 2017 through November 15, 2019. Upon full satisfaction of the lease, the ownership of the equipment will transfer to the District. This was paid off in 2019.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

COMPENSATED ABSENCES

Accrued sick leave for all the District’s full-time employees totals \$137,605. The sick leave is payable upon retirement for all full-time employees with at least five years of continuous service with the District who are approved for their PERA retirement.

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2020:

| | <u>Balance</u> <u>06/30/19</u> | <u>Debt Issued</u> <u>and Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>06/30/20</u> | <u>Due Within</u> <u>One year</u> |
|-------------------------------|-----------------------------------|--|-------------------|-----------------------------------|--------------------------------------|
| Bonds payable: | | | | | |
| General obligation bonds | \$ 1,460,000 | \$ - | \$ 715,000 | \$ 745,000 | \$ 745,000 |
| Unamortized bond premium | <u>48,050</u> | <u>-</u> | <u>48,050</u> | <u>-</u> | <u>-</u> |
| | 1,508,050 | - | 763,050 | 745,000 | 745,000 |
| Capital leases payable | <u>129,467</u> | <u>-</u> | <u>129,467</u> | <u>-</u> | <u>-</u> |
| Total bond and capital leases | 1,637,517 | - | 892,517 | 745,000 | 745,000 |
| Compensated absences | <u>147,905</u> | <u>-</u> | <u>10,300</u> | <u>137,605</u> | <u>-</u> |
| Total | <u>\$ 1,785,422</u> | <u>\$ -</u> | <u>\$ 902,817</u> | <u>\$ 882,605</u> | <u>\$ 745,000</u> |

NOTE 10 - 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; workers’ compensation; general liability; unemployment; and employee benefit expenses related to health programs.

The District is provided with property and liability insurance through the Colorado School Districts Self Insurance Pool. The District carries commercial insurance for worker’s compensation and medical coverage. Settled claims resulting from these risks have not exceeded the insurance coverage for each of the past three years.

Colorado School Districts Self Insurance Pool

The District is a member of the Colorado School Districts Self Insurance Pool (the Pool), which operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The board of the Pool is selected by member entities. The District pays an annual premium to the Pool for its general property and liability coverage.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Grants

The District has 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.

NOTE 12 – JOINTLY GOVERNED ORGANIZATION

Ute Pass Board of Cooperative Educational Services

The District participates in the Ute Pass Board of Cooperative Educational Services (BOCES). The District has two members on a five member board. This board has final authority for all budgeting and financing of the joint venture.

The District’s share of annual contributions to the joint venture was approximately 25% for the year ended June 30, 2019. Audited financial information for the joint venture as of June 30, 2019 (latest information available) is as follows:

| | Governmental Funds |
|------------------------|-----------------------|
| Assets | \$ 397,550 |
| Liabilities | 380,542 |
| Fund balance | \$ 17,008 |
| Revenues | \$ 1,852,050 |
| Expenditures | 1,846,960 |
| Change in fund balance | \$ 5,090 |

Complete financial statements for the BOCES can be obtained from their office at 405 El Monte Place, Manitou Springs, Colorado 80829.

NOTE 13 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the El Paso County School District No. 14 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.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions provisions as of June 30, 2020: Eligible employees of, El Paso County School District No. 14 and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

| | 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% |
| Total employer contribution rate to the SCHDTF | 19.38% |

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. 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-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 14 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from El Paso County School District No. 14 were \$2,024,992 for the year ended 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 El Paso County School District No. 14 proportion of the net pension liability was based on El Paso County School District No. 14 contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2020, the El Paso County School District No. 14 reported a liability of \$26,098,288 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 El Paso County School District No. 14 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 El Paso County School District No. 14 were as follows:

| | |
|---|---------------|
| El Paso County School District No. 14 proportionate share of the net pension liability | \$ 26,098,288 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with El Paso County School District No. 14 | 3,310,236 |
| Total | \$ 29,408,524 |

At December 31, 2019, the El Paso County School District No. 14 proportion was 0.1746898759 percent, which was an increase of 0.0023787869 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the El Paso County School District No. 14 recognized pension expense of \$(3,783,326) and revenue \$(104,707) for support from the State as a nonemployer contributing entity. At June 30, 2020, the El Paso County School District No. 14 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 1,422,374 | \$ - |
| Changes of assumptions or other inputs | 745,066 | 11,837,936 |
| Net difference between projected and actual earnings on pension plan investments | - | 3,091,602 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 504,829 | 2,367,605 |
| Contributions subsequent to the measurement date | 1,018,514 | N/A |
| Total | \$ 3,690,783 | \$ 17,297,143 |

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$1,018,514 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 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 | \$ (8,097,036) |
| 2022 | (5,611,124) |
| 2023 | 134,958 |
| 2024 | (1,051,672) |
| 2025 | - |
| Thereafter | - |

Actuarial assumptions. The total pension 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 – 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) ¹ | 1.25 percent compounded annually |
| PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) ¹ | Financed by the Annual Increase Reserve |

¹ 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 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 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.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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 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:

| 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% |
| 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 | 100.00% | |

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 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 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Sensitivity of the El Paso County School District No. 14 proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 34,611,918 | \$ 26,098,288 | \$ 18,950,354 |

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

NOTE 14 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

Plan description. Eligible employees of the El Paso County School District No. 14 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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

PERA Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 14 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from El Paso County School District No. 14 were \$106,580 for the year ended June 30, 2020.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

At June 30, 2020, the El Paso County School District No. 14 reported a liability of \$1,283,193 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 El Paso County School District No. 14 proportion of the net OPEB liability was based on El Paso County School District No. 14 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 El Paso County School District No. 14 proportion was 0.1141633103 percent, which was an increase of 0.0021601884 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the El Paso County School District No. 14 recognized OPEB expense of \$(12,483). At June 30, 2020, the El Paso County School District No. 14 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience | \$ 4,258 | \$ 215,624 |
| Changes of assumptions or other inputs | 10,646 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 21,418 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 56,001 | - |
| Contributions subsequent to the measurement date | 53,607 | N/A |
| Total | \$ 124,512 | \$ 237,042 |

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

\$53,607 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 | \$ (31,664) |
| 2022 | (31,662) |
| 2023 | (25,460) |
| 2024 | (38,220) |
| 2025 | (36,904) |
| Thereafter | (2,227) |

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 | 5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029 |
| Medicare Part A premiums | 3.50 percent in 2019, gradually 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, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by 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.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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:

| Medicare Plan | Cost for Members Without Medicare Part A | Premiums for Members Without Medicare Part A |
|--|--|--|
| 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:

| Medicare Plan | Cost for Members Without Medicare Part A |
|--|--|
| 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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 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.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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 School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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:

| 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% |
| 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 | 100.00% | |

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of the El Paso County School District No. 14 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 | \$ 1,252,712 | \$ 1,283,193 | \$ 1,318,417 |

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process 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 middle of the year.

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of the El Paso County School District No. 14 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%) |
|---|------------------------|----------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$ 1,450,908 | \$ 1,283,193 | \$ 1,139,762 |

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

NOTE 15 – COLORADO SCHOOL DISTRICT/BOCES, ELECTRONIC DATA INTEGRITY CHECK FIGURES

The School Finance Act requires inclusion of the Colorado School District/BOCES, Electronic Financial Data Integrity Check Figures as a supplement schedule to the audited financial statements. The Report is based on a prescribed basis of accounting that demonstrates compliance with the financial policies and procedures of the Colorado Department of Education.

NOTE 16 - 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 entity’s financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes from its provisions Enterprises. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of its annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment.

Fiscal year spending and revenue limits are determined based on the prior years’ spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

On November 3, 1998 the voters of the District authorized the District to collect, retain and expend all revenues from all sources in the fiscal year ended June 30, 1999 and subsequent years, notwithstanding any state restriction on fiscal year spending, including, without limitation, the restrictions of Article X, Section 20, of the Colorado Constitution.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

On November 7, 2000 the voters of the District allowed the District to increase property taxes \$900,000 annually, stipulating that the District's total mill levy for all purposes shall not exceed 48.50 mills for fiscal year 2000-2001, 50.00 mills for fiscal year 2001-2002 and 52.00 mills for fiscal year 2002-2003 and thereafter.

On November 7, 2000 the voters of the District allowed the District to increase debt by \$8,500,000 with a repayment cost of \$17,842,375 for capital construction purposes of the District. The District also allowed taxes to be increased \$1,004,250 annually to pay off the above debt.

On November 7, 2006 the voters of the District allowed the District to raise taxes up to \$1,000,000 annually, stipulating that the District's mill levy for all purposes shall not exceed 49.00 mills for fiscal year 2007-2008 and thereafter.

On November 3, 2015 the voters of the District allowed the District to raise taxes by \$1,800,000 in the 2016 collection year, and by such amounts as may be collected annually thereafter, stipulating that the District's mill levy for all purposes shall not exceed 52.00 mills in any collection year, unless otherwise authorized by law.

The District levied 58.817 and 61.900 mills for property taxes to be collected in collection year 2020 and 2019, respectively.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocable pledging present cash reserves for all future payments.

The Amendment requires Emergency Reserves to be established. These reserves must be 3 percent of Fiscal Year Spending. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. Emergency Reserves totaling \$537,000 have been presented as a reservation of fund balance in the General Fund.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2020

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability (asset) | 0.1746898759% | 0.1723110890% | 0.1937936701% | 0.1894734254% | 0.1819522308% | 0.1825887297% | 0.1870610113% |
| District's proportionate share of the net pension liability (asset) | \$ 26,098,288 | \$ 30,511,218 | \$ 62,665,985 | \$ 56,413,566 | \$ 27,828,309 | \$ 24,746,906 | \$ 23,859,581 |
| State's proportionate share of the net pension liability (asset) associated with the District | 3,310,236 | 4,171,985 | - | - | - | - | - |
| Total | <u>\$ 29,408,524</u> | <u>\$ 34,683,203</u> | <u>\$ 62,665,985</u> | <u>\$ 56,413,566</u> | <u>\$ 27,828,309</u> | <u>\$ 24,746,906</u> | <u>\$ 23,859,581</u> |
| District's covered payroll | \$ 10,265,088 | \$ 9,472,866 | \$ 8,939,473 | \$ 8,503,907 | \$ 7,929,437 | \$ 7,649,158 | \$ 7,541,025 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 254.24% | 322.09% | 701.00% | 663.38% | 350.95% | 323.52% | 316.40% |
| Plan fiduciary net position as a percentage of the total pension liability | 64.5% | 57.0% | 44.0% | 43.1% | 59.2% | 62.8% | 64.1% |

* The amounts presented for each year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2020

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 2,024,992 | \$ 1,895,597 | \$ 1,722,815 | \$ 1,611,906 | \$ 1,459,807 | \$ 1,265,725 | \$ 1,141,120 |
| Contributions in relation to the contractually required contribution | <u>(2,024,992)</u> | <u>(1,895,597)</u> | <u>(1,722,815)</u> | <u>(1,611,906)</u> | <u>(1,459,807)</u> | <u>(1,265,725)</u> | <u>(1,141,120)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 10,448,869 | \$ 9,909,025 | \$ 9,125,078 | \$ 8,769,892 | \$ 8,233,543 | \$ 7,498,369 | \$ 7,140,923 |
| Contributions as a percentage of covered payroll | 19.38% | 19.13% | 18.88% | 18.38% | 17.73% | 16.88% | 15.98% |

* The amounts presented for each fiscal year were determined as of 6/30.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2020

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|---------------|---------------|---------------|---------------|
| District's proportion of the net OPEB liability (asset) | 0.1141633103% | 0.1120031219% | 0.1101128074% | 0.1076989409% |
| District's proportionate share of the net OPEB liability (asset) | \$ 1,283,193 | \$ 1,523,850 | \$ 1,431,026 | \$ 1,396,353 |
| District's covered payroll | \$ 10,265,088 | \$ 9,472,866 | \$ 8,939,473 | \$ 8,503,907 |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 12.50% | 16.09% | 16.01% | 16.42% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 24.5% | 17.0% | 17.5% | 16.7% |

* The amounts presented for each year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2020

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|-----------------|-----------------|
| Contractually required contribution | \$ 106,580 | \$ 101,072 | \$ 93,056 | \$ 89,433 |
| Contributions in relation to the contractually required contribution | <u>(106,580)</u> | <u>(101,072)</u> | <u>(93,056)</u> | <u>(89,433)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 10,448,869 | \$ 9,909,025 | \$ 9,125,078 | \$ 8,769,892 |
| 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 6/30.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|--------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local sources | \$ 7,808,873 | \$ 8,031,930 | \$ 7,665,998 | \$ (365,932) |
| State sources | 9,519,331 | 9,643,293 | 9,635,509 | (7,784) |
| Federal sources | 230,000 | 230,000 | 243,267 | 13,267 |
| Total revenues | <u>17,558,204</u> | <u>17,905,223</u> | <u>17,544,774</u> | <u>(360,449)</u> |
| EXPENDITURES | | | | |
| Instruction | 9,014,711 | 9,076,906 | 9,046,490 | 30,416 |
| Supporting services | | | | |
| Student support | 985,922 | 992,724 | 989,398 | 3,326 |
| Instructional staff | 887,418 | 893,540 | 890,546 | 2,994 |
| General administration | 455,463 | 458,606 | 457,069 | 1,537 |
| School administration | 1,337,365 | 1,346,592 | 1,342,080 | 4,512 |
| Business services | 529,590 | 533,244 | 531,457 | 1,787 |
| Operations and maintenance | 1,727,099 | 1,739,015 | 1,733,188 | 5,827 |
| Student transportation | 754,887 | 760,095 | 757,548 | 2,547 |
| Central support service | 321,018 | 323,233 | 322,150 | 1,083 |
| Other support services | (21,532) | (21,681) | (21,608) | (73) |
| Contingency reserves | 5,023,390 | 5,428,476 | - | 5,428,476 |
| Total expenditures | <u>21,015,331</u> | <u>21,530,750</u> | <u>16,048,318</u> | <u>5,482,432</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,457,127)</u> | <u>(3,625,527)</u> | <u>1,496,456</u> | <u>5,121,983</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 360,000 | 360,000 | - | (360,000) |
| Transfers out | (1,635,000) | (1,635,000) | (1,275,000) | 360,000 |
| Total other financing source (uses) | <u>(1,275,000)</u> | <u>(1,275,000)</u> | <u>(1,275,000)</u> | <u>-</u> |
| Net change in fund balances | (4,732,127) | (4,900,527) | 221,456 | 5,121,983 |
| Fund balances - beginning | 4,732,127 | 4,900,527 | 4,900,528 | 1 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,121,984</u> | <u>\$ 5,121,984</u> |

See the accompanying independent auditors' report.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**

GENERAL FUND

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed primarily from property taxes and state aid. It is the most significant fund of the District.

Included in this presentation is a Risk-Management Sub-Fund of the General Fund. This fund allows the District to separate risk management accounting and maintain a self-balancing set of records specific to insurance reserve requirements.

The General Fund is deemed to be a major fund for financial reporting purposes.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF REVENUE COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------------|-------------------------|----------------------|---|
| REVENUE FROM LOCAL SOURCES | | | |
| Local property taxes | \$ 7,105,750 | \$ 6,611,685 | \$ (494,065) |
| Specific ownership taxes | 794,546 | 859,088 | 64,542 |
| Earnings on investments | 60,000 | 71,140 | 11,140 |
| Other local sources | 71,634 | 124,085 | 52,451 |
| Total revenue from local sources | <u>8,031,930</u> | <u>7,665,998</u> | <u>(365,932)</u> |
| REVENUE FROM STATE SOURCES | | | |
| State equalization | 9,044,966 | 9,037,738 | (7,228) |
| Vocational education | 41,190 | 41,418 | 228 |
| Transportation | 126,896 | 117,120 | (9,776) |
| Other state sources | 430,241 | 439,233 | 8,992 |
| Total revenue from state sources | <u>9,643,293</u> | <u>9,635,509</u> | <u>(7,784)</u> |
| Total revenue from federal sources | <u>230,000</u> | <u>243,267</u> | <u>13,267</u> |
| Total revenue | <u>\$ 17,905,223</u> | <u>\$ 17,544,774</u> | <u>\$ (360,449)</u> |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF EXPENDITURES AND OTHER FINANCING
USES COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------|-------------------------|---------------|---|
| INSTRUCTION | | | |
| Salaries | \$ 6,536,718 | \$ 6,514,814 | \$ 21,904 |
| Employee benefits | 2,081,735 | 2,074,759 | 6,976 |
| Purchased services | 153,186 | 152,673 | 513 |
| Supplies | 276,292 | 275,366 | 926 |
| Capital outlay | 27,216 | 27,125 | 91 |
| Other expenses | 1,759 | 1,753 | 6 |
| | <hr/> | <hr/> | <hr/> |
| Total instruction | 9,076,906 | 9,046,490 | 30,416 |
| SUPPORTING SERVICES | | | |
| Student support: | | | |
| Salaries | 717,206 | 714,802 | 2,404 |
| Employee benefits | 226,946 | 226,186 | 760 |
| Purchased services | 31,424 | 31,319 | 105 |
| Supplies | 16,808 | 16,752 | 56 |
| Other expenses | 340 | 339 | 1 |
| | <hr/> | <hr/> | <hr/> |
| Total student support | 992,724 | 989,398 | 3,326 |
| Instructional staff: | | | |
| Salaries | 433,985 | 432,531 | 1,454 |
| Employee benefits | 118,023 | 117,628 | 395 |
| Purchased services | 162,332 | 161,788 | 544 |
| Supplies | 57,843 | 57,649 | 194 |
| Capital outlay | 120,645 | 120,241 | 404 |
| Other expenses | 712 | 709 | 3 |
| | <hr/> | <hr/> | <hr/> |
| Total instructional staff | \$ 893,540 | \$ 890,546 | \$ 2,994 |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF EXPENDITURES AND OTHER FINANCING
USES COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------------|-------------------------|---------------|---|
| General administration: | | | |
| Salaries | \$ 195,446 | \$ 194,791 | \$ 655 |
| Employee benefits | 62,190 | 61,982 | 208 |
| Purchased services | 151,892 | 151,383 | 509 |
| Supplies | 28,638 | 28,542 | 96 |
| Capital outlay | 1,643 | 1,637 | 6 |
| Other expenses | 18,797 | 18,734 | 63 |
| | <hr/> | <hr/> | <hr/> |
| Total general administration | 458,606 | 457,069 | 1,537 |
| | <hr/> | <hr/> | <hr/> |
| School administration: | | | |
| Salaries | 992,289 | 988,964 | 3,325 |
| Employee benefits | 304,748 | 303,727 | 1,021 |
| Purchased services | 15,123 | 15,072 | 51 |
| Supplies | 34,432 | 34,317 | 115 |
| | <hr/> | <hr/> | <hr/> |
| Total school administration | 1,346,592 | 1,342,080 | 4,512 |
| | <hr/> | <hr/> | <hr/> |
| Business services: | | | |
| Salaries | 326,019 | 324,926 | 1,093 |
| Employee benefits | 100,495 | 100,158 | 337 |
| Purchased services | 71,501 | 71,261 | 240 |
| Supplies | 34,503 | 34,387 | 116 |
| Capital outlay | 727 | 725 | 2 |
| | <hr/> | <hr/> | <hr/> |
| Total business services | 533,244 | 531,457 | 1,787 |
| | <hr/> | <hr/> | <hr/> |
| Operations and maintenance: | | | |
| Salaries | 693,452 | 691,128 | 2,324 |
| Employee benefits | 233,258 | 232,476 | 782 |
| Purchased services | 484,329 | 482,706 | 1,623 |
| Supplies | 327,977 | 326,878 | 1,099 |
| | <hr/> | <hr/> | <hr/> |
| Total operations and maintenance | \$ 1,739,015 | \$ 1,733,188 | \$ 5,827 |
| | <hr/> | <hr/> | <hr/> |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF EXPENDITURES AND OTHER FINANCING
USES COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------------|----------------------|---|
| Student transportation: | | | |
| Salaries | \$ 420,216 | \$ 418,808 | \$ 1,408 |
| Employee benefits | 153,351 | 152,837 | 514 |
| Purchased services | 122,997 | 122,585 | 412 |
| Supplies | 127,861 | 127,433 | 428 |
| Capital outlay | 1,304 | 1,300 | 4 |
| Other expenses | (65,635) | (65,415) | (220) |
| Total student transportation | <u>760,095</u> | <u>757,548</u> | <u>2,547</u> |
| Central support services: | | | |
| Salaries | 6,823 | 6,800 | 23 |
| Employee benefits | 1,573 | 1,568 | 5 |
| Purchased services | 314,837 | 313,782 | 1,055 |
| Total central support services | <u>323,233</u> | <u>322,150</u> | <u>1,083</u> |
| Other support services: | | | |
| Purchased Services | (21,681) | (21,608) | (73) |
| Total other support services | <u>(21,681)</u> | <u>(21,608)</u> | <u>(73)</u> |
| Total supporting services | <u>7,025,368</u> | <u>7,001,828</u> | <u>23,540</u> |
| CONTINGENCY RESERVES | <u>5,428,476</u> | - | <u>5,428,476</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 360,000 | - | (360,000) |
| Transfers out | (1,635,000) | (1,275,000) | 360,000 |
| Total other financing sources (uses) | <u>(1,275,000)</u> | <u>(1,275,000)</u> | <u>-</u> |
| Total expenditures and other financing sources and (uses) | <u>\$ 22,805,750</u> | <u>\$ 17,323,318</u> | <u>\$ 5,482,432</u> |

See the accompanying independent auditors' report.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. The District has the following Special Revenue Funds:

Food Service Fund

This fund accounts for all financial activities associated with the District's school lunch program.

Designated-Purpose Grants Fund

This fund is authorized by Colorado state law for the purpose of accounting for financial assistance from certain state and federal grants.

Pupil Activity Fund

Used to record financial transactions related to school-sponsored pupil intra-scholastic and interscholastic athletic and related events. These activities are supported by revenues from pupils, gate receipts and other fund-raising activities, as well as general fund subsidies.

Other Activities Fund

Used to record financial transactions related to other pupil intra-scholastic and interscholastic athletic and related events. These activities are supported by revenues from pupils, gate receipts and other fund-raising activities.

Debt Service Fund

The Debt Service Fund was created to account for resources to be used to service general obligation long-term debt. The District has the following Debt Service Fund:

Bond Redemption Fund

This fund will account for the restricted general obligation property tax used to finance principal and interest payments on the bonds.

Capital Projects Fund

The Capital Projects Fund is used to account for significant capital expenditures of the District.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

| | Special Revenue Funds | | | | | | |
|---|------------------------------|---|--------------------------------|----------------------------------|------------------------------|----------------------------------|--|
| | Food Service Fund | Designated Purpose Grants Fund | Pupil Activity Fund | Other Activities Fund | Debt Service Fund | Capital Projects Fund | Total Nonmajor Governmental Funds |
| ASSETS | | | | | | | |
| Cash and investments | \$ 97,755 | \$ - | \$ 68,775 | \$ 554,099 | \$ - | \$ - | \$ 720,629 |
| Restricted cash and investments | - | - | - | - | 722,529 | - | 722,529 |
| Cash with fiscal agent | - | - | - | - | 5,776 | - | 5,776 |
| Taxes receivable | - | - | - | - | 83,681 | - | 83,681 |
| Other receivables | - | 32,940 | - | - | - | - | 32,940 |
| Due from other funds | - | 57,090 | 32,680 | - | - | 179,948 | 269,718 |
| Inventories | 8,613 | - | - | - | - | - | 8,613 |
| Total assets | <u>\$ 106,368</u> | <u>\$ 90,030</u> | <u>\$ 101,455</u> | <u>\$ 554,099</u> | <u>\$ 811,986</u> | <u>\$ 179,948</u> | <u>\$ 1,843,886</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 431 | \$ - | \$ - | \$ 431 |
| Accrued salaries and benefits | 53,690 | 17,089 | - | - | - | - | 70,779 |
| Due to other funds | 2,350 | - | - | 28,335 | - | - | 30,685 |
| Unearned revenue | - | 72,941 | - | - | - | - | 72,941 |
| Total liabilities | <u>56,040</u> | <u>90,030</u> | <u>-</u> | <u>28,766</u> | <u>-</u> | <u>-</u> | <u>174,836</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue-property taxes | - | - | - | - | 62,732 | - | 62,732 |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>62,732</u> | <u>-</u> | <u>62,732</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable | 8,613 | - | - | - | - | - | 8,613 |
| Restricted | - | - | - | - | 749,254 | - | 749,254 |
| Committed | 41,715 | - | - | - | - | - | 41,715 |
| Assigned | - | - | 101,455 | 525,333 | - | 179,948 | 806,736 |
| Total fund balances | <u>50,328</u> | <u>-</u> | <u>101,455</u> | <u>525,333</u> | <u>749,254</u> | <u>179,948</u> | <u>1,606,318</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 106,368</u> | <u>\$ 90,030</u> | <u>\$ 101,455</u> | <u>\$ 554,099</u> | <u>\$ 811,986</u> | <u>\$ 179,948</u> | <u>\$ 1,843,886</u> |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Special Revenue Funds</u> | | | | | | |
|--|------------------------------|---|--------------------------------|----------------------------------|------------------------------|----------------------------------|--|
| | <u>Food Service Fund</u> | <u>Designated Purpose Grants Fund</u> | <u>Pupil Activity Fund</u> | <u>Other Activities Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
| REVENUES | | | | | | | |
| Local sources | \$ 162,759 | \$ - | \$ 109,156 | \$ 367,698 | \$ 615,812 | \$ - | \$ 1,255,425 |
| State sources | 5,525 | - | - | - | - | - | 5,525 |
| Federal sources | 173,722 | 114,542 | - | - | - | - | 288,264 |
| Total revenues | <u>342,006</u> | <u>114,542</u> | <u>109,156</u> | <u>367,698</u> | <u>615,812</u> | <u>-</u> | <u>1,549,214</u> |
| EXPENDITURES | | | | | | | |
| Instruction | - | 114,054 | 644,743 | 223,573 | - | - | 982,370 |
| Supporting services | | | | | | | |
| Student support | - | - | - | 46,633 | - | - | 46,633 |
| Instructional staff | - | 488 | - | - | - | 113,803 | 114,291 |
| Operations and maintenance | - | - | - | - | - | 389,487 | 389,487 |
| Student transportation | - | - | - | - | - | 16,745 | 16,745 |
| Food service operations | 520,330 | - | - | - | - | - | 520,330 |
| Community services | - | - | - | 10,616 | - | - | 10,616 |
| Facilities acquisition and construction | - | - | - | - | - | 30,585 | 30,585 |
| Debt Service | - | - | - | - | 759,800 | - | 759,800 |
| Total expenditures | <u>520,330</u> | <u>114,542</u> | <u>644,743</u> | <u>280,822</u> | <u>759,800</u> | <u>550,620</u> | <u>2,870,857</u> |
| Excess (deficiency) of revenues over expenditures | <u>(178,324)</u> | <u>-</u> | <u>(535,587)</u> | <u>86,876</u> | <u>(143,988)</u> | <u>(550,620)</u> | <u>(1,321,643)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 150,000 | - | 550,000 | - | - | 575,000 | 1,275,000 |
| Net change in fund balances | <u>(28,324)</u> | <u>-</u> | <u>14,413</u> | <u>86,876</u> | <u>(143,988)</u> | <u>24,380</u> | <u>(46,643)</u> |
| Fund balances - beginning - as restated | 78,652 | - | 87,042 | 438,457 | 893,242 | 155,568 | 1,652,961 |
| Fund balances - ending | <u>\$ 50,328</u> | <u>\$ -</u> | <u>\$ 101,455</u> | <u>\$ 525,333</u> | <u>\$ 749,254</u> | <u>\$ 179,948</u> | <u>\$ 1,606,318</u> |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------------|---------------|---|
| REVENUES | | | |
| Local sources | \$ 170,000 | \$ 162,759 | \$ (7,241) |
| State sources | 5,000 | 5,525 | 525 |
| Federal sources | | | |
| School breakfast | 30,000 | 30,717 | 717 |
| School lunch | 100,000 | 95,608 | (4,392) |
| Commodities | 27,500 | 23,154 | (4,346) |
| Other federal sources | 30,000 | 24,243 | (5,757) |
| Total federal sources | 187,500 | 173,722 | (13,778) |
| Total revenues | 362,500 | 342,006 | (20,494) |
| EXPENDITURES | | | |
| Salaries | 236,167 | 230,793 | 5,374 |
| Employee benefits | 77,233 | 75,475 | 1,758 |
| Purchased services | 10,000 | 6,781 | 3,219 |
| Supplies | 210,000 | 207,107 | 2,893 |
| Equipment | 8,000 | 174 | 7,826 |
| Commodities utilization | 27,500 | - | 27,500 |
| Contingency reserves | 22,252 | - | 22,252 |
| Total expenditures | 591,152 | 520,330 | 70,822 |
| Excess (deficiency) of revenues over expenditures | (228,652) | (178,324) | 50,328 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 150,000 | 150,000 | - |
| Net change in fund balances | (78,652) | (28,324) | 50,328 |
| Fund balances - beginning | 78,652 | 78,652 | - |
| Fund balances - ending | \$ - | \$ 50,328 | \$ 50,328 |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DESIGNATED-PURPOSE GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|-----------------------------|-------------------------|--------------------|---|
| REVENUES | | | |
| Federal sources | \$ 186,155 | \$ 114,542 | \$ (71,613) |
| EXPENDITURES | | | |
| Instruction | 186,155 | 114,054 | 72,101 |
| Supporting services | | | |
| Instructional staff | - | 488 | (488) |
| Total expenditures | <u>186,155</u> | <u>114,542</u> | <u>71,613</u> |
| Net change in fund balances | - | - | - |
| Fund balances - beginning | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances - ending | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-----------------------|---------------------------------------|
| REVENUES | | | |
| Local sources | \$ 600,000 | \$ 109,156 | \$ (490,844) |
| EXPENDITURES | | | |
| Instruction | 1,200,000 | 644,743 | 555,257 |
| Contingency reserves | 584,109 | - | 584,109 |
| Total expenditures | 1,784,109 | 644,743 | 1,139,366 |
| Excess (deficiency) of revenues over expenditures | (1,184,109) | (535,587) | 648,522 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 550,000 | 550,000 | - |
| Net change in fund balances | (634,109) | 14,413 | 648,522 |
| Fund balances - beginning - as restated | 634,109 | 87,042 | (547,067) |
| Fund balances - ending | \$ - | \$ 101,455 | \$ 101,455 |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
OTHER ACTIVITIES FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-----------------------|---------------------------------------|
| REVENUES | | | |
| Local sources | \$ 500,000 | \$ 367,698 | \$ (132,302) |
| EXPENDITURES | | | |
| Instruction | 500,000 | 223,573 | 276,427 |
| Supporting services | | | - |
| Student support | - | 46,633 | (46,633) |
| Community services | - | 10,616 | (10,616) |
| Contingency reserves | 552,061 | - | 552,061 |
| Total expenditures | <u>1,052,061</u> | <u>280,822</u> | <u>771,239</u> |
| Net change in fund balances | (552,061) | 86,876 | 638,937 |
| Fund balances - beginning - as restated | <u>552,061</u> | <u>438,457</u> | <u>(113,604)</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 525,333</u> | <u>\$ 525,333</u> |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------|-------------------------|---------------|---|
| REVENUES | | | |
| Local property taxes | \$ 625,000 | \$ 605,936 | \$ (19,064) |
| Interest income | 10,000 | 9,876 | (124) |
| | 635,000 | 615,812 | (19,188) |
| EXPENDITURES | | | |
| Debt Service: | | | |
| Principal | 715,000 | 715,000 | - |
| Interest and other charges | 45,100 | 44,800 | 300 |
| Contingency reserves | 768,142 | - | 768,142 |
| | 1,528,242 | 759,800 | 768,442 |
| Net change in fund balance | (893,242) | (143,988) | 749,254 |
| Fund balances - beginning | 893,242 | 893,242 | - |
| Fund balances - ending | \$ - | \$ 749,254 | \$ 749,254 |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------------|---------------|---|
| REVENUES | | | |
| Total revenues | - | - | - |
| EXPENDITURES | | | |
| Supporting services | | | |
| Instructional staff | 113,803 | 113,803 | - |
| Operations and maintenance | 523,710 | 389,487 | 134,223 |
| Student transportation | 16,744 | 16,745 | (1) |
| Facilities acquisition and construction | 30,000 | 30,585 | (585) |
| Contingency reserves | 46,311 | - | 46,311 |
| Total expenditures | 730,568 | 550,620 | 179,948 |
| Excess (deficiency) of revenues over expenditures | (730,568) | (550,620) | 179,948 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 575,000 | 575,000 | - |
| Net change in fund balances | (155,568) | 24,380 | 179,948 |
| Fund balances - beginning | 155,568 | 155,568 | - |
| Fund balances - ending | \$ - | \$ 179,948 | \$ 179,948 |

See the accompanying independent auditors' report.



**INDEPENDENT AUDITORS' REPORT ON
COLORADO SCHOOL DISTRICT/BOCES
AUDITOR'S INTEGRITY REPORT**

To the Board of Education
El Paso County School District No. 14

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Paso County School District No. 14, as of and for the year ended June 30, 2020, which collectively comprise El Paso County School District No. 14's basic financial statements, and our report thereon dated December 15, 2020, which expressed an unmodified opinion on those financial statements, appears as listed in the table of contents.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 14's financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hoelting & Company, Inc.

Colorado Springs, Colorado
December 15, 2020



Colorado Department of Education

Auditors Integrity Report

District: 1030 - Manitou Springs 14

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 | 4,858,001 | 15,909,775 | 15,717,932 | 5,049,845 |
| 18 Risk Mgmt Sub-Fund of General Fund | 42,526 | 360,000 | 330,387 | 72,140 |
| 19 Colorado Preschool Program Fund | 0 | 0 | 0 | 0 |
| Sub- Total | 4,900,528 | 16,269,775 | 16,048,319 | 5,121,984 |
| 11 Charter School Fund | 0 | 0 | 0 | 0 |
| 20,26-29 Special Revenue Fund | 438,458 | 367,698 | 280,822 | 525,333 |
| 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 | 78,652 | 492,006 | 520,330 | 50,328 |
| 22 Govt Designated-Purpose Grants Fund | 0 | 114,542 | 114,542 | 0 |
| 23 Pupil Activity Special Revenue Fund | 87,042 | 659,156 | 644,743 | 101,455 |
| 24 Full Day Kindergarten Mill Levy Override | 0 | 0 | 0 | 0 |
| 25 Transportation Fund | 0 | 0 | 0 | 0 |
| 31 Bond Redemption Fund | 893,242 | 615,811 | 759,800 | 749,254 |
| 39 Certificate of Participation (COP) Debt Service Fund | 0 | 0 | 0 | 0 |
| 41 Building Fund | 0 | 0 | 0 | 0 |
| 42 Special Building Fund | 0 | 0 | 0 | 0 |
| 43 Capital Reserve Capital Projects Fund | 155,568 | 575,000 | 550,620 | 179,948 |
| 46 Supplemental Cap Const, Tech, Main Fund | 0 | 0 | 0 | 0 |
| Totals | 6,553,490 | 19,093,988 | 18,919,176 | 6,728,302 |
| Proprietary | | | | |
| 50 Other Enterprise Funds | 0 | 0 | 0 | 0 |
| 64 (63) Risk-Related Activity Fund | 0 | 0 | 0 | 0 |
| 60,65-69 Other Internal Service Funds | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |
| Fiduciary | | | | |
| 70 Other Trust and Agency Funds | 0 | 0 | 0 | 0 |
| 72 Private Purpose Trust Fund | 0 | 0 | 0 | 0 |
| 73 Agency Fund | 0 | 0 | 0 | 0 |
| 74 Pupil Activity Agency Fund | 0 | 0 | 0 | 0 |
| 79 GASB 34:Permanent Fund | 0 | 0 | 0 | 0 |
| 85 Foundations | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |

FINAL