

**CHEYENNE MOUNTAIN SCHOOL
DISTRICT 12**

FINANCIAL STATEMENTS
With Independent Auditors' Report

Year Ended June 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Cheyenne Mountain School District 12

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cheyenne Mountain School District 12, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cheyenne Mountain School District 12, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Cheyenne Mountain School District 12'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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021, on our consideration of the Cheyenne Mountain School District 12's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cheyenne Mountain School District 12's internal control over financial reporting and compliance.

Hoelting & Company Inc.

Colorado Springs, Colorado
December 1, 2021

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

As management of Cheyenne Mountain School District 12 (the District) in Colorado Springs, Colorado, we offer readers of the District's report of independent certified public accountants this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

Financial Highlights

The District's liabilities for governmental activities, including long term debt and net pension liability, exceeded total assets, including capital assets (land, buildings and equipment), in fiscal year 2020-2021 by \$28,842,103 (deficit net position). The deficit is a result of the implementation of the Governmental Accounting Standards Board (GASB) Statement 68 which requires all entities contributing to the Public Employees Retirement Association (PERA) to record their share of the net pension liability on the Statement of Net Position beginning in the 2014-2015 fiscal year. More information on the GASB Statement 68 can be found in the notes to the financial statements.

The overall ending fund balance for the District's governmental funds is \$30,572,049, which is an increase of \$690,782 from the previous year.

Outstanding long term liabilities increased to \$125,592,273 from \$119,567,970 including \$2,592,386 due within one year. The PERA net pension liability increased to \$68,303,800 in FY21, an increase of \$7,674,337 from the previous year.

Overview of the Financial Statements

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

Government-wide Statements

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

The statement of net position includes 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.

The statement of activities presents information showing 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 (i.e., uncollected taxes and retiree's sick leave payable).

For the fiscal year 2020-2021, all of the district's activities are reported under the Governmental Activities on the Statement of Net Position.

- **Governmental Activities:** Includes all district activity such as instruction, pupil activity, transportation, maintenance and operation, administration, instructional support and food service.

The government-wide financial statements include not only the District itself (known as the "primary government") but also the legally separate charter school as a component unit of the District. Financial information for this component is reported separately from the financial information presented for the primary government itself with the exception of mandated fiscal allocations from the primary government to the component unit.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on its most significant funds, not the District as a whole. All District funds can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide

reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the two major governmental funds, the General Fund (combined with the Risk Management Fund), and the Bond Redemption Fund. Data for the other five governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds (Food Service Fund, Designated Grants Fund, Pupil Activity Fund, Land Fund and Capital Projects Fund) is provided in the form of combining statements elsewhere in the report.

- **Proprietary funds:** The District maintains two Insurance Reserve Funds. The District's self-insured dental plan and the District's partially self-funded health insurance plan. The activity in these funds is comprised of revenue from premiums and expenses due to claim settlements.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's annual appropriated budgets with comparison statements that demonstrate compliance with budget for the general fund.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Financial Analysis of the District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. Sixty six percent of the District's assets are its investment in capital assets (i.e., land, buildings, and 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, 2021 (in millions):

TABLE 1 – CONDENSED STATEMENT OF NET POSITION

	Governmental Activities	
	2021	2020
Current Assets	\$ 37,949,849	\$ 36,950,352
Capital Assets – Net	74,083,316	76,092,686
Total Assets	<u>112,033,165</u>	<u>113,043,038</u>
Deferred Outflows	<u>20,912,007</u>	<u>15,338,232</u>
Current Liabilities	6,416,716	6,629,838
Long-Term Liabilities	125,592,273	112,938,132
Total Liabilities	<u>132,008,989</u>	<u>119,567,970</u>
Deferred Inflows	<u>29,778,286</u>	<u>58,253,094</u>
Net Investment in Capital Assets	20,861,719	30,217,686
Restricted Net Position	6,801,074	6,364,986
Unrestricted Net Position	<u>(56,504,896)</u>	<u>(86,022,466)</u>
Total Net Position (Deficit)	<u>\$ (28,842,103)</u>	<u>\$ (49,439,794)</u>

Condensed Statement of Activities:

TABLE 2 – CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities	
	2021	2020
Program Revenues:		
Charges for Services	\$ 1,405,064	\$ 2,843,345
Operating Grants	5,763,402	4,501,326
Capital Grants	591,721	662,474
Total Program Revenues	<u>7,760,187</u>	<u>8,007,145</u>
General Revenues:		
Taxes	25,045,522	25,410,665
State Equalization	15,331,367	17,091,634
Investment Income	18,038	119,563
Gain (Loss) on Disposal	246,930	10,626
Miscellaneous	358,704	434,217
Total General Revenues	<u>41,000,561</u>	<u>43,066,705</u>
Total Revenues	<u>48,760,748</u>	<u>51,073,850</u>
Expenses		
Instruction	15,434,252	22,508,617
Supporting Services	10,733,651	14,238,032
Other Services	1,135,484	-
Interest on Long Term Debt	859,670	-
Total Expenses	<u>28,163,057</u>	<u>36,746,649</u>
Transfers	-	(314,129)
Change in Net Position	20,597,691	14,013,072
Net Position – Beginning	<u>(49,439,794)</u>	<u>(63,452,866)</u>
Net Position – Ending	<u>\$ (28,842,103)</u>	<u>\$ (49,439,794)</u>

Governmental Activities

Total assets for FY 20-21 are \$112,033,165, which is an decrease of \$1,009,873 from the previous fiscal year.

Total liabilities increased by approximately \$12.4 million over the previous year primarily due to the district’s net pension liability. In FY 2015 GASB 68 was implemented which requires school districts to record net pension liability. As of June 30, 2020, the net pension liability was \$60,629,463 and as of June 30, 2021, the net pension liability increased to \$68,303,800.

The primary source of operating revenue for school districts in Colorado comes from the School Finance Act of 1994, as amended (the Act). Under the Act the District received \$7,718 per funded pupil in fiscal year 2021, a 4.3% decrease from fiscal year 2020. In fiscal year 2021 the funded pupil count was 5,172.9, (virtually unchanged from the previous year). Funding for the Act comes from property taxes, specific ownership tax, and state equalization. The District received approximately 69% of this funding from state equalization. The remaining amount came from property taxes and specific ownership tax. The District's 2020 assessed valuation of \$415.3 million represented a .36% increase from 2019, and it generated approximately \$22.8 million in fiscal year 2021 (virtually unchanged from the previous year) to include a share of funding determined by the Act plus budget overrides and bond redemption payments authorized by local voters.

Financial Analysis of the District's Funds

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

At the end of fiscal year 2021, the District's governmental funds reported combined ending fund balances of \$30.5 million, an increase of \$690,782 in comparison with the prior fiscal year. The General Fund (which includes the Risk Management Fund) had an increase in fund balance of \$1,063,500 and the Bond Redemption Fund had a decrease in fund balance of \$276,821; and the other funds had a combined decrease of \$95,897.

The district added a new fund, Designated Grants, in FY 19-20. This fund was created to track all financial activity related to the Coronavirus funds that the district received in May of 2020. These funds can only be used for supplies and activities related to the Coronavirus. The district received a total of \$2,090,333.33. Of that amount, \$604,743.82 was transferred to the Vanguard School (the district's charter school). The district only spent a total of \$21,306.62 in FY 19-20. The remaining \$1,464,282.89 was expended by December 31, 2020 (in FY 20-21).

The general fund is the primary operating fund of the District. At year-end, the General Fund (which includes the Risk Management Fund) maintained a balance of \$22 million, equal to 54% of the District's fiscal year expenditures and allocations to other funds. In 2020 the general fund maintained a balance of \$21 million, or 50.8% of fiscal year expenditures and allocations.

General Fund Budget Variance

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

The general fund expenditure variance between original budget and final budget is a result of budgeted (appropriated) but not expended contingency and emergency reserve funds, which include state-mandated reserves.

Proprietary Funds

The proprietary funds consist of the District's two Insurance Reserve Funds (self-insured dental plan and the partially self-funded health insurance plan). These funds have a combined ending fund balance of \$758,246, a decrease of \$8,024 from the previous year.

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2021 amounts to \$74 million (net of accumulated depreciation), which is a decrease of \$2,009,370 from the previous year. This investment in capital assets includes land, buildings and improvements, equipment, construction in progress, and capital leases all with an original cost of greater than \$5,000.

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

	Balance <u>6/30/2020</u>	<u>Additions</u>	<u>Sales And Retirements</u>	Balance <u>6/30/2021</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,439,058	\$ -	\$ -	\$ 1,439,058
Site Improvements	208,500	-	(208,500)	-
Art Collection	<u>237,000</u>	<u>-</u>	<u>-</u>	<u>237,000</u>
Total capital assets, not being depreciated	<u>1,884,558</u>	<u>-</u>	<u>(208,500)</u>	<u>1,676,058</u>
Capital assets, being depreciated:				
Land Improvements	8,779,638	377,542	-	9,157,180
Buildings and improvements	96,078,406	-	-	96,078,406
Equipment	<u>3,619,651</u>	<u>57,655</u>	<u>(10,765)</u>	<u>3,666,551</u>
Total capital assets, being depreciated	<u>108,477,695</u>	<u>435,207</u>	<u>(10,765)</u>	<u>108,902,137</u>
Less accumulated depreciation for:				
Land Improvements	(4,394,353)	(273,378)	-	(4,667,731)
Buildings and improvements	(27,229,802)	(1,875,865)	-	(29,072,429)
Equipment	<u>(2,645,412)</u>	<u>(86,834)</u>	<u>10,765</u>	<u>(2,754,719)</u>
Total accumulated depreciation	<u>(34,269,567)</u>	<u>(2,236,077)</u>	<u>10,765</u>	<u>(36,494,879)</u>
Total capital assets being depreciated, net	<u>74,208,128</u>	<u>(1,800,870)</u>	<u>-</u>	<u>72,407,258</u>
Governmental activities capital assets, net	<u>\$ 76,092,686</u>	<u>\$ (1,800,870)</u>	<u>\$ (208,500)</u>	<u>\$ 74,083,316</u>

Long-term Debt

At year-end, the District’s long-term debt is \$54,805,368 million. \$53,850,627 of this amount is bonds payable, of which \$2,365,000 is due within a year. The remaining \$954,741 is attributed to compensated absences.

	<u>Balance 06/30/20</u>	<u>Debt Issued And Additions</u>	<u>Reductions</u>	<u>Balance 06/30/21</u>	<u>Due Within One year</u>
<i>Governmental Activities</i>					
General obligation bonds	\$ 48,495,000	\$ -	\$ 2,610,000	\$ 45,885,000	\$ 2,365,000
Unamortized bond premium	<u>8,930,175</u>	<u>-</u>	<u>964,548</u>	<u>7,965,627</u>	<u>-</u>
Total bonds payable	57,425,175	-	3,574,548	53,850,627	2,365,000
Compensated absences	<u>832,658</u>	<u>257,661</u>	<u>135,578</u>	<u>954,741</u>	<u>227,386</u>
<i>Total Governmental Activities</i>	<u>\$ 58,257,833</u>	<u>\$ 257,661</u>	<u>\$ 3,710,126</u>	<u>\$ 54,805,368</u>	<u>\$ 2,592,386</u>

Section 22-42-104 of the Colorado Revised Statutes limits the amount of bonded indebtedness to 20% of the latest valuation for assessment of the taxable property in the District, or 6% of the most recent determination of the actual value of the taxable property in the District as certified by the County Assessor to the Board of County Commissioners. The District’s legal bonded debt limit as of June 30, 2021 was \$83 million.

Economic Factors: School Finance Act Funding

The largest source of revenue for the District’s operating funds is derived from the Public School Finance Act funding formula. In April, 1994, the Colorado Legislature enacted the Public School Finance Act of 1994 (the Act) which continued the goals of (1) establishing a financial base of support for public education, (2) moving toward a uniform mill tax levy for all school districts, and (3) limiting the future growth of and reliance on the property tax to support public education. It establishes a statewide base per pupil funding and adjusts that amount for individual school districts by recognizing differences in (1) personnel costs, (2) cost of living, and (3) school district size. Additional funding is also provided to school districts based upon the presence of at-risk pupils. The sources of funding the Act formula amount include (1) a portion of the specific ownership taxes traditionally flowing to school districts in addition to (2) local property taxes, and (3) state equalization payments. The District’s funding, based on this formula, increased by 6% and 4.4% for fiscal years 2019 and 2020, and decreased by 4.5% in 2021. The District’s funded pupil count increased by 1% in 2018-2019, increased 3.6% in 19-20 and remained virtually unchanged in 20-21. The increase in funded pupil count is attributed to the growth at the Vanguard School (the district charter school).

In November, 2000, Colorado voters approved Amendment 23, “Funding for Public Schools”, which required that the statewide base per pupil funding and the total State funding for categorical programs increase by at least the rate of inflation plus one percent

for the ten-year period beginning in fiscal year 2002, and by at least the rate of inflation thereafter. In addition, State revenues collected from a tax of one-third of one percent on federal taxable income shall be deposited into the State Education Fund. The State Education Fund monies can be used to fund what additional amounts are needed as required by Amendment 23 and any remaining funds can be used to support certain educational programs, as appropriated by the State General Assembly.

As stated above, the local share of the aggregate Act funding is to be paid from (1) school district property taxes levied at a rate defined by the Act in accordance with Article X, Section 20 of the State constitution (and certified no later than December 15) and (2) specific ownership taxes. Specific ownership tax revenue is defined as the amount of such revenue received by the District in the prior fiscal year excluding any such revenue attributable to a bond redemption levy or override levy. Because of the impact of Article X, Section 20 of the State constitution (“TABOR”) passed by the voters of Colorado in November 1992, the State’s goal of achieving a uniform mill levy across all school districts has not been achievable. If a school district’s assessed valuation grows at a rate greater than the combined change in the prior year Boulder-Denver consumer price index and the school district’s enrollment, then the school district is required to reduce its mill levy. The District’s assessed valuation decreased slightly (.36%) for the tax year 2020 (property tax collections due in calendar year 2021).

The State funds its share of each school district’s Act funding by paying the difference between school district’s formula amount and the amount of local property taxes to be collected by the school district (assuming no delinquencies) plus the amount of local specific ownership taxes collected the previous year. The effect of this formula is to make school districts increasingly dependent upon the State for funding of public education.

Economic Factors: Override Election Property Taxes

No school district may levy general fund taxes at a rate greater than that allowed by the Act unless authorized to do so at a general election or at a special election in November of odd-numbered years. The maximum amount of the revenue increase may not exceed 25% of the formula amount. Specific ownership tax revenue attributable to an override levy and to a bond redemption levy that is not used to satisfy bonded indebtedness must be applied toward the 25% override limit. In November of 1994, 1999, 2003, and 2011 the voters of the District approved overrides of \$750,000; \$950,000; \$1.4 million and \$1.7 million respectively, for an indefinite amount of time. The measure approved in 2011 capped the District’s total mill levy at 50 mills and also included a provision allowing the District to incrementally increase the total override collection up to the statutory maximum subject to the mill levy cap. In 2014 the mill levy cap was approved to increase to 53 mills. In 2017 the district voters approved a measure that removed the mill levy cap.

According to calculations by the Colorado Department of Education, the District presently collects 54% of its maximum override amount of \$14,052,672.89.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cheyenne Mountain School District 12 Business Office, 1775 LaClede Street, Colorado Springs, CO 80905.

BASIC FINANCIAL STATEMENTS

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Charter School</u>
ASSETS		
Cash and investments	\$ 30,480,283	\$ 6,874,430
Restricted cash and investments	5,735,144	1,550,775
Cash with county treasurer	339,740	-
Receivables	577,980	-
Taxes receivable	715,272	-
Inventories and prepaid items	101,430	-
Capital assets, not being depreciated	1,676,058	3,735,658
Capital assets being depreciated, net	72,407,258	16,696,797
Total assets	<u>112,033,165</u>	<u>28,857,660</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	629,030	612,912
Deferred pension outflows	20,132,354	7,230,492
Deferred OPEB outflows	150,623	146,634
Total deferred outflows of resources	<u>20,912,007</u>	<u>7,990,038</u>
LIABILITIES		
Accounts payable and other current liabilities	1,923,392	304,816
Accrued salaries and benefits	4,126,149	637,697
Unearned revenue	59,944	26,310
Accrued interest payable	307,231	38,054
Long-term liabilities:		
Due within one year	2,592,386	515,000
Due in more than one year	52,212,982	23,438,061
Net pension liability	68,303,800	19,853,276
Net OPEB liability	2,483,105	721,728
Total liabilities	<u>132,008,989</u>	<u>45,534,942</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	28,923,391	7,861,780
Deferred OPEB inflows	854,895	232,416
Total deferred inflows of resources	<u>29,778,286</u>	<u>8,094,196</u>
NET POSITION		
Net investment in capital assets	20,861,719	20,432,455
Restricted for:		
Emergency reserve (TABOR)	1,700,000	405,000
Multi-year obligations	411,800	-
Debt service	4,473,826	-
Capital projects	215,448	-
Unrestricted	<u>(56,504,896)</u>	<u>(37,618,895)</u>
Total net position	<u>\$ (28,842,103)</u>	<u>\$ (16,781,440)</u>

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

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
Primary government						
Governmental activities						
Instruction	\$ 15,434,252	\$ 1,029,136	\$ 5,055,135	\$ 591,721	\$ (8,758,260)	
Supporting services	10,733,651	293,029	97,309	-	(10,343,313)	
Food service operations	541,852	13,967	610,958	-	83,073	
Community services	51,585	68,932	-	-	17,347	
Facilities acquisition	542,047	-	-	-	(542,047)	
Interest on long-term debt	859,670	-	-	-	(859,670)	
Total primary government	<u>\$ 28,163,057</u>	<u>\$ 1,405,064</u>	<u>\$ 5,763,402</u>	<u>\$ 591,721</u>	<u>(20,402,870)</u>	
Component unit						
The Vanguard School	<u>\$ 10,267,203</u>	<u>\$ 272,768</u>	<u>\$ 3,202,235</u>	<u>\$ 475,476</u>		<u>\$ (6,316,724)</u>
General revenues:						
Property taxes					22,394,868	-
Specific ownership taxes					2,650,654	-
State equalization					15,331,367	-
Per pupil revenue					-	12,134,253
District mill levy					-	328,331
Grants and contributions not restricted to specific programs					160,740	50,228
Unrestricted investment earnings					18,038	5,878
Gain on asset disposal					246,930	-
Miscellaneous					197,964	21,304
Total general revenues					<u>41,000,561</u>	<u>12,539,994</u>
Change in net position					<u>20,597,691</u>	<u>6,223,270</u>
Net position - beginning					(49,439,794)	(20,578,303)
Prior period adjustment					-	(2,426,407)
Net position - beginning, as restated (deficit)					<u>(49,439,794)</u>	<u>(23,004,710)</u>
Net position - ending (deficit)					<u>\$ (28,842,103)</u>	<u>\$ (16,781,440)</u>

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

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 25,588,272	\$ 6,399	\$ 4,043,405	\$ 29,638,076
Restricted cash and investments	-	5,735,144	-	5,735,144
Cash with county treasurer	317,573	22,167	-	339,740
Accounts receivable	48,062	-	100,148	148,210
Grants receivable	429,770	-	-	429,770
Taxes receivable	593,648	121,624	-	715,272
Inventories and prepaid items	95,104	-	6,326	101,430
	<u>\$ 27,072,429</u>	<u>\$ 5,885,334</u>	<u>\$ 4,149,879</u>	<u>\$ 37,107,642</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 422,307	\$ 1,362,784	\$ 54,340	\$ 1,839,431
Accrued salaries and benefits	4,113,521	-	12,628	4,126,149
Accrued compensated absences	227,386	-	-	227,386
Unearned revenue	-	-	59,944	59,944
	<u>4,763,214</u>	<u>1,362,784</u>	<u>126,912</u>	<u>6,252,910</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	<u>233,959</u>	<u>48,724</u>	<u>-</u>	<u>282,683</u>
FUND BALANCES				
Nonspendable for:				
Inventories and prepaid expenses	95,104	-	6,326	101,430
Restricted for:				
Emergency reserve (TABOR)	1,700,000	-	-	1,700,000
Debt service	-	4,473,826	-	4,473,826
Capital projects	-	-	215,448	215,448
Multi-year obligations	411,800	-	-	411,800
Committed for:				
Food service operations	-	-	255,307	255,307
Pupil Activities	-	-	508,403	508,403
Capital projects	-	-	3,037,483	3,037,483
Assigned for:				
Risk management	369,591	-	-	369,591
Unassigned	<u>19,498,761</u>	<u>-</u>	<u>-</u>	<u>19,498,761</u>
	<u>22,075,256</u>	<u>4,473,826</u>	<u>4,022,967</u>	<u>30,572,049</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 27,072,429</u>	<u>\$ 5,885,334</u>	<u>\$ 4,149,879</u>	<u>\$ 37,107,642</u>

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

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021

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

Total fund balance - governmental funds		\$ 30,572,049
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, not being depreciated	\$ 1,676,058	
Capital assets, net of depreciation	72,407,258	74,083,316
Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds.		
		282,683
Internal service funds are used by the District's management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net position.		
		758,246
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Deferred charges on refunding	\$ 629,030	
Net pension liabilities	(68,303,800)	
Pension outflows	20,132,354	
Pension inflows	(28,923,391)	
Net OPEB liabilities	(2,483,105)	
OPEB outflows	150,623	
OPEB inflows	(854,895)	
Accrued interest	(307,231)	
Compensated absences	(727,355)	
Bonds payable	(53,850,627)	(134,538,397)
Net position of governmental activities in the statement of net position		\$ (28,842,103)

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

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 21,848,432	\$ 3,869,388	\$ 768,155	\$ 26,485,975
State sources	17,280,742	-	23,024	17,303,766
Federal sources	2,424,099	-	2,068,187	4,492,286
	<u>41,553,273</u>	<u>3,869,388</u>	<u>2,859,366</u>	<u>45,876,922</u>
EXPENDITURES				
Instruction	24,568,487	-	2,178,518	26,747,005
Supporting services	14,771,725	-	715,986	15,487,711
Food service operations	-	-	541,852	541,852
Community services	126,421	-	-	126,421
Facilities acquisition and construction	-	-	542,047	542,047
Debt service	-	4,146,209	-	4,146,209
	<u>39,466,633</u>	<u>4,146,209</u>	<u>3,978,403</u>	<u>44,909,319</u>
Excess (deficiency) of revenues over expenditures	<u>2,086,640</u>	<u>(276,821)</u>	<u>(1,119,037)</u>	<u>967,603</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,023,140	1,023,140
Transfers out	(1,023,140)	-	-	(1,023,140)
	<u>(1,023,140)</u>	<u>-</u>	<u>1,023,140</u>	<u>-</u>
Net change in fund balances	1,063,500	(276,821)	(95,897)	690,782
Fund balances - beginning	<u>21,011,756</u>	<u>4,750,647</u>	<u>4,118,864</u>	<u>29,881,267</u>
Fund balances - ending	<u>\$ 22,075,256</u>	<u>\$ 4,473,826</u>	<u>\$ 4,022,967</u>	<u>\$ 30,572,049</u>

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

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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

Net change in fund balances - total governmental funds:	\$	690,782
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital outlays	\$	435,207
Depreciation	<u>(2,236,077)</u>	(1,800,870)
<p>In the statement of activities, the disposition of capital assets generates a gain or loss and is reported as such. The gain or loss on disposition is not a current financial resource or use and, thus, is not reported in the funds.</p>		
		(208,500)
<p>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.</p>		
		282,683
<p>Internal service funds are used by the District to charge the cost of certain activities to individual funds. The net revenue of the internal service funds are reported with governmental activities.</p>		
		(8,024)
<p>Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid.</p>		
		19,792
<p>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.</p>		
Repayment of principal	\$	2,610,000
Amortization of deferred on refunding	(307,802)	
Accretion of bond premium	<u>964,548</u>	3,266,746
<p>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.</p>		
		105,303
<p>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.</p>		
Pension expenses	\$	18,049,551
OPEB expenses	<u>200,228</u>	<u>18,249,779</u>
Change in net position of governmental activities		<u><u>\$ 20,597,691</u></u>

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

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Governmental Activities
	Internal Service Funds
ASSETS	
Current assets	
Cash and cash equivalents	\$ 842,207
Total assets	842,207
LIABILITIES	
Current liabilities	
Accounts payable	83,961
Total liabilities	83,961
NET POSITION	
Unrestricted	758,246
Total net position	\$ 758,246

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

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 195,612
OPERATING EXPENSES	
Purchased services	204,064
Total operating expenses	204,064
Operating income (loss)	(8,452)
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	428
Change in net position	(8,024)
Net position - beginning	766,270
Net position - ending	\$ 758,246

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

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 195,612
Cash payments to vendors	(200,649)
Net cash provided (used) by operating activities	(5,037)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	428
Net increase (decrease) in cash and cash equivalents	(4,609)
Cash and cash equivalents - beginning	846,816
Cash and cash equivalents - ending	\$ 842,207
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (8,452)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase (decrease) in:	
Accounts payable	3,415
Total adjustments	3,415
Net cash provided (used) by operating activities	\$ (5,037)

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

NOTES TO FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Cheyenne Mountain School District 12, Colorado Springs, Colorado (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described 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. *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. Currently, the District has no business-type activities. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. REPORTING ENTITY

Cheyenne Mountain School District 12 was organized in 1872. The District provides education services to the residents in the southwest section of El Paso County. It is governed by a five member Board of Education, which is the policy-making body of the District. 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 and discretely presented component unit. 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.

Discretely presented component unit. The Vanguard School was formed in accordance with state statutes for operation as a District charter school. This District component unit was deemed to be fiscally dependent upon the District since the District provided the majority of support to it in the form of per pupil revenue. The amount of state equalization allotted to The Vanguard School for the year ended June 30, 2021 was \$12,134,253.

In addition, the members of The Vanguard School's governing board are appointed separately from the District. The Vanguard School has been deemed to be a separate legal entity based on the formation of the school in accordance with state statutes. The Vanguard School is presented as a discrete component unit of the District as the potential exists that their exclusion from the District's financial reporting entity would result in misleading financial reporting. Financial statements for The Vanguard School may be obtained by writing to the charter school.

The Vanguard School
1605 South Corona Avenue
Colorado Springs, CO, 80905

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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.

D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the government's funds, including its proprietary funds. Separate statements for each fund category – governmental, and proprietary – 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 funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental 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.

The *Bond Redemption Fund* accounts for the servicing of long-term debt not financed by other funds.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the District reports the following fund types:

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

The *Food Service Fund* is used for all financial activities associated with the District's school 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 *Land Fund* is used for improving the park and recreation areas. Funds are received from the Colorado Lottery.

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

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.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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, except for grant revenues which are considered available if received within 120 days of the end of the 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.

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

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand; cash in the bank; and liquid investments which have a maturity of one month or less when purchased or which are subject to withdrawal.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment could be sold.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Investments

Certain proceeds of the District's Bond Redemption Fund, as well as certain resources set aside for repayment of debt, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Capital Assets

Capital assets are reported 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 to maintain a balance between accountability of assets and managing the cost of recording and tracking these assets. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for buildings 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	5-48
Buildings and Improvements	7-50
Equipment	5-20

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Pensions

Cheyenne Mountain School District 12 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 made changes to certain benefit provisions. Most of these changes were in effect as of June 30, 2021.

Health Care Trust Fund

Cheyenne Mountain School District 12 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

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.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond 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 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—net position to have been depleted before unrestricted—net position is applied.

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.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund balance classification (continued)

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 District’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.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

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 *program revenues*. For example, general revenues include all taxes.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)

Compensated Absences and Severance Incentive Benefit Amounts

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits, which will be paid to employees upon separation from District service. All vacation and eligible sick pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted 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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

1. Prior to June 1, the Executive Director of Business Services submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
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. The Executive Director of Business Services is authorized to transfer budgeted amounts between categories within any fund; however, 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 all funds.
6. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All original and supplemental appropriations for all funds lapse at the end of the fiscal year.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2021, expenditures exceeded appropriations of the Pupil Activity fund by \$233,749. These over expenditures were funded by beginning fund balances and greater than anticipated revenues.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

The District's cash and investments consist of the following at June 30, 2021:

A summary of deposits and investments as of June 30, 2021 is as follows:

Deposits	\$ 29,590,248
Investments	<u>6,625,179</u>
Total	<u>\$ 36,215,427</u>

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

Cash and investments	\$ 30,480,283
Restricted cash and investments	<u>5,735,144</u>
Total	<u>\$ 36,215,427</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. However, the Colorado Public Deposit Protection Act (PDPA) requires that all units of local governments deposit cash at eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral is 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, 2021 was \$29,590,248 and the bank balances were \$29,811,752. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$29,561,752 was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in trust for all uninsured deposits as a group.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3: DEPOSITS AND INVESTMENTS

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 funds;
- Guaranteed investment contracts.

At June 30, 2021 the District's investment balances were as follows:

<u>Investments</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
ColoTrust	Less than 1 year	\$ 6,620,528	AAAm
CSAFE	Less than 1 year	<u>4,651</u>	AAAm
	Total Investments	<u>\$ 6,625,179</u>	

Interest Rate Risk – The District has a board approved investment policy that limits investment maturities to five years or less, as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statute 24-75-601 also limits investment maturities to five years or less.

Credit Risk – The District's investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601 as described above.

Concentration of Credit Risk – The district places no limit on the amount the district may invest in any one issuer.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: TAXES

Property Taxes

Property taxes for the current year are certified in arrears to the County by December 15 and attach as an enforceable lien on property the following January 1. Property taxes are payable in full by April 30 or are payable in two equal installments due February 28 and June 15. The 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 tax rate for the year ended December 31, 2021 is 45.520 mills for general operating expenses, including an 18.394 mill levy override, and 9.480 mills for the payment of long-term debt. The District's assessed valuation for the collection year 2021 is \$415,365,860.

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.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: CAPITAL ASSETS

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

	<u>Balance</u> <u>6/30/2020</u>	<u>Additions</u>	<u>Sales And</u> <u>Retirements</u>	<u>Balance</u> <u>6/30/2021</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,439,058	\$ -	\$ -	\$ 1,439,058
Site Improvements	208,500	-	(208,500)	-
Art Collection	<u>237,000</u>	<u>-</u>	<u>-</u>	<u>237,000</u>
Total capital assets, not being depreciated	<u>1,884,558</u>	<u>-</u>	<u>(208,500)</u>	<u>1,676,058</u>
Capital assets, being depreciated:				
Land Improvements	8,779,638	377,542	-	9,157,180
Buildings and improvements	96,078,406	-	-	96,078,406
Equipment	<u>3,619,651</u>	<u>57,655</u>	<u>(10,765)</u>	<u>3,666,551</u>
Total capital assets, being depreciated	<u>108,477,695</u>	<u>435,207</u>	<u>(10,765)</u>	<u>108,902,137</u>
Less accumulated depreciation for:				
Land Improvements	(4,394,353)	(273,378)	-	(4,667,731)
Buildings and improvements	(27,229,802)	(1,875,865)	-	(29,072,429)
Equipment	<u>(2,645,412)</u>	<u>(86,834)</u>	<u>10,765</u>	<u>(2,754,719)</u>
Total accumulated depreciation	<u>(34,269,567)</u>	<u>(2,236,077)</u>	<u>10,765</u>	<u>(36,494,879)</u>
Total capital assets being depreciated, net	<u>74,208,128</u>	<u>(1,800,870)</u>	<u>-</u>	<u>72,407,258</u>
Governmental activities capital assets, net	<u>\$ 76,092,686</u>	<u>\$ (1,800,870)</u>	<u>\$ (208,500)</u>	<u>\$ 74,083,316</u>

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

Instruction	\$ 1,374,461
Support services	<u>861,616</u>
Total governmental activities	<u>\$ 2,236,077</u>

NOTE 6: 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 ten months. The salaries and benefits earned, but unpaid, as of June 30, 2021, are \$4,126,149. Accordingly, the accrued compensation is reflected as a liability in the accompanying Government-Wide Statement of Net Position.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7: LONG-TERM LIABILITIES

General Obligation Bonds Payable

General Obligation bonds payable at June 30, 2021, are as follows:

<u>Description, Interest Rates and Maturity Dates</u>	<u>Principal Balance</u>
On October 27, 2011, the District issued Series 2011 in the original amount of \$6,520,000. The bonds were issued to refund the District's General Obligation Bonds, Series 2004 maturing on and after September 15, 2016. Series 2011 interest rates to maturity are 2.00 to 4.00% and mature on September 15, 2023.	\$ 2,675,000
On February 3, 2015, the District issued Series 2015 in the original amount of \$45,000,000. The bonds were issued to fund construction projects approved by voters at the 2014 election. Series 2012 interest rates to maturity are 2.00 to 5.25% and mature on September 15, 2024.	4,560,000
On December 17, 2019, the District issued Series 2019 in the original amount of \$39,630,000. The bonds were issued to refund the District's General Obligation Bonds, Series 2015 maturing on or after September 15, 2025. Series 2019 interest rate to maturity is 3.25% and mature on September 15, 2038.	<u>38,650,000</u>
Total Outstanding Bonds	<u><u>\$ 45,885,000</u></u>

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,365,000	\$ 1,474,709
2023	2,450,000	1,386,709
2024	2,545,000	1,295,509
2025	2,635,000	1,200,709
2026	2,750,000	1,083,359
2027-2031	15,065,000	4,127,097
2032-2036	7,275,000	11,905,254
2037-2040	<u>10,800,000</u>	<u>709,914</u>
Total	<u><u>\$ 48,885,000</u></u>	<u><u>\$ 23,183,260</u></u>

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Legal Debt Margin

Assessed valuation	<u>\$ 415,365,860</u>
Debt limit – 20% of assessed valuation	83,073,172
General obligation debt	<u>(45,885,000)</u>
	<u>\$ 37,188,172</u>

In accordance with Section 22-45-103, C.R.S., the District’s bond redemption fund custodian for fiscal year 2021 was Wells Fargo, a third party. The amount held by the custodian was \$5,735,144 for the year ended June 30, 2021.

Compensated Absences

Accrued discretionary days for all of the District’s full-time employees totaled \$954,741 at June 30, 2021. Accrued discretionary days are payable only to full time employees with at least five years of continuous service with the District.

Changes in Long-Term Liabilities

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

	<u>Balance</u> <u>06/30/20</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/21</u>	<u>Due Within</u> <u>One year</u>
<i>Governmental Activities</i>					
General obligation bonds	\$ 48,495,000	\$ -	\$ 2,610,000	\$ 45,885,000	\$ 2,365,000
Unamortized bond premium	<u>8,930,175</u>	<u>-</u>	<u>964,548</u>	<u>7,965,627</u>	<u>-</u>
Total bonds payable	57,425,175	-	3,574,548	53,850,627	2,365,000
Compensated absences	<u>832,658</u>	<u>257,661</u>	<u>135,578</u>	<u>954,741</u>	<u>227,386</u>
<i>Total Governmental Activities</i>	<u>\$ 58,257,833</u>	<u>\$ 257,661</u>	<u>\$ 3,710,126</u>	<u>\$ 54,805,368</u>	<u>\$ 2,592,386</u>

Payments on the general obligation bonds are made by the debt service fund with property taxes. The compensated absences liabilities are paid by the fund for which the employee worked.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Cheyenne Mountain School District 12 are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2020. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the 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.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Contributions provisions as of June 30, 2021: Eligible employees of, Cheyenne Mountain School District 12 and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

	July 1, 2020 Through June 30, 2021
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.88%

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Cheyenne Mountain School District 12 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Cheyenne Mountain School District 12 were \$4,831,363 for the year ended June 30, 2021.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The Cheyenne Mountain School District 12 proportion of the net pension liability was based on Cheyenne Mountain School District 12 contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the Cheyenne Mountain School District 12 reported a liability of \$68,303,800 for its proportionate share of the net pension liability. The amount recognized by the Cheyenne Mountain School District 12 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 Cheyenne Mountain School District 12 were as follows:

Cheyenne Mountain School District 12 proportionate share of the net pension liability	\$ 68,303,800
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Cheyenne Mountain School District 12	-
Total	\$ 68,303,800

At December 31, 2020, the Cheyenne Mountain School District 12 proportion was 0.4518049794 percent, which was an increase of 0.0459793856 from its proportion measured as of December 31, 2019.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2021, the Cheyenne Mountain School District 12 recognized pension expense of (\$18,049,551). At June 30, 2021, the Cheyenne Mountain School District 12 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	\$ 3,752,954	\$ -
Changes of assumptions or other inputs	6,570,613	11,481,291
Net difference between projected and actual earnings on pension plan investments	-	15,035,220
Changes in proportion and differences between contributions recognized and proportionate share of contributions	7,363,216	2,406,880
Contributions subsequent to the measurement date	2,445,571	N/A
Total	\$ 20,132,354	\$ 28,923,391

\$2,445,571 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (11,242,652)
2023	3,949,568
2024	(1,571,632)
2025	(2,371,892)
2026	-
Thereafter	-

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Healthy mortality assumptions for active members 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 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by PERA’s Board during the November 18, 2016, Board meeting.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA’s Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.40%-11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

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

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State’s 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the Cheyenne Mountain School District 12 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	\$ 93,171,977	\$ 68,303,800	\$ 47,580,414

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

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

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

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

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

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

PERA Benefit Structure

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

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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 Cheyenne Mountain School District 12 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Cheyenne Mountain School District 12 were \$247,889 for the year ended June 30, 2021.

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

At June 30, 2021, the Cheyenne Mountain School District 12 reported a liability of \$2,483,105 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The Cheyenne Mountain School District 12 proportion of the net OPEB liability was based on Cheyenne Mountain School District 12 contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

At December 31, 2020, the Cheyenne Mountain School District 12 proportion was 0.2613175691 percent, which was a decrease of 0.0038974303 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the Cheyenne Mountain School District 12 recognized OPEB expense of (\$200,228). At June 30, 2021, the Cheyenne Mountain School District 12 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	\$ 6,590	\$ 545,905
Changes of assumptions or other inputs	18,554	152,262
Net difference between projected and actual earnings on OPEB plan investments	-	101,462
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	55,266
Contributions subsequent to the measurement date	125,479	N/A
Total	\$ 150,623	\$ 854,895

\$125,479 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$ (192,351)
2023	(178,157)
2024	(196,796)
2025	(183,827)
2026	(73,848)
Thereafter	(4,772)

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

Actuarial assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	8.10% in 2020, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2020, gradually increasing to 4.50% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Rx	\$588	\$227	\$550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

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

Year	PERACare Medicare Plans	Medicare Part A
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA’s Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA’s Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40% ¹	N/A

¹ C.R.S. § 24-51-101 (46), as amended, expanded the definition of “State Troopers” to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA’s 2020 Annual Report for more information.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

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

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

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

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

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

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of the Cheyenne Mountain School District 12 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$2,418,925	\$2,483,105	\$2,557,818

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of the Cheyenne Mountain School District 12 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	\$2,844,442	\$ 2,483,105	\$ 2,174,371

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

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Legal

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government’s legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

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 reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. District management believes disallowances, if any, would be immaterial.

EL PASO COUNTY SCHOOL DISTRICT NO. 12
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12: TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments.

The Amendment requires Emergency Reserves to be established. These reserves must be at least 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. At June 30, 2021, the District's reserve of \$1,700,000 was reported as restricted fund balance in the General Fund.

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

In November 2006 voters within the District passed an amendment allowing the District to retain excess revenues in fiscal year 2004-2005 and all future years.

On November 4, 2014, voters within the District authorized the District to increase taxes up to \$4,980,000 annually. Voters authorized the District to increase debt by \$45 million, with a repayment cost of up to \$84,280,000, for the purpose of acquiring, constructing, refinancing, repairing and improving District facilities.

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

REQUIRED SUPPLEMENTARY INFORMATION

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2021

	<u>2020</u>	<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)	0.4518049794%	0.4058255938%	0.4064998583%	0.4674739871%	0.4707910113%	0.4722616959%	0.4764208221%	0.4800609608%
District's proportionate share of the net pension liability (asset)	\$ 68,303,800	\$ 60,629,463	\$ 71,979,149	\$ 151,164,473	\$ 140,172,690	\$ 72,229,092	\$ 64,571,024	\$ 61,231,646
State's proportionate share of the net pension liability (asset) associated with the District	-	6,824,478	8,658,253	-	-	-	-	-
Total	<u>\$ 68,303,800</u>	<u>\$ 67,453,941</u>	<u>\$ 80,637,402</u>	<u>\$ 151,164,473</u>	<u>\$ 140,172,690</u>	<u>\$ 72,229,092</u>	<u>\$ 64,571,024</u>	<u>\$ 61,231,646</u>
District's covered payroll	\$ 24,165,240	\$ 23,695,046	\$ 22,947,260	\$ 21,564,014	\$ 21,129,937	\$ 20,581,063	\$ 19,958,616	\$ 19,352,785
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	282.65%	255.87%	313.67%	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	67.0%	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.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,831,363	\$ 4,592,100	\$ 4,275,073	\$ 4,017,377	\$ 3,830,859	\$ 3,566,697	\$ 3,279,200	\$ 3,005,488
Contributions in relation to the contractually required contribution	<u>(4,831,363)</u>	<u>(4,592,100)</u>	<u>(4,275,073)</u>	<u>(4,017,377)</u>	<u>(3,830,859)</u>	<u>(3,566,697)</u>	<u>(3,279,200)</u>	<u>(3,005,488)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
District's covered payroll	\$ 24,302,633	\$ 23,695,046	\$ 22,947,260	\$ 21,564,014	\$ 21,129,937	\$ 20,581,063	\$ 19,958,616	\$ 19,352,785
Contributions as a percentage of covered payroll	19.88%	19.38%	18.63%	18.63%	18.13%	17.33%	16.43%	15.53%

* 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.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net OPEB liability (asset)	0.2613175691%	0.2652149994%	0.2642271042%	0.2656314772%	0.2676032641%
District's proportionate share of the net OPEB liability (asset)	\$ 2,483,105	\$ 2,981,011	\$ 3,594,921	\$ 3,452,147	\$ 3,469,567
District's covered payroll	\$ 24,165,240	\$ 23,695,046	\$ 22,947,260	\$ 21,564,014	\$ 21,129,937
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	10.28%	12.58%	15.67%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	24.5%	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.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 247,889	\$ 241,689	\$ 234,062	\$ 219,953	\$ 215,525
Contributions in relation to the contractually required contribution	<u>(247,889)</u>	<u>(241,689)</u>	<u>(234,062)</u>	<u>(219,953)</u>	<u>(215,525)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered payroll	\$ 24,302,633	\$ 23,695,046	\$ 22,947,260	\$ 21,564,014	\$ 21,129,937
Contributions as a percentage of covered payroll	1.02%	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.

GENERAL FUND

This fund is used to account for and report all financial resources not accounted for and reported in another fund. Any lawful expenditure of the School District, including any expenditure of a nature that could be made from any other fund, may be made from the General Fund.

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

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Property taxes	\$ 18,454,194	\$ 18,415,822	\$ 18,248,529	\$ (167,293)
Specific ownership taxes	2,682,702	2,614,155	2,650,654	36,499
Other local sources	1,508,684	2,084,499	949,249	(1,135,250)
Total local sources	<u>22,645,580</u>	<u>23,114,476</u>	<u>21,848,432</u>	<u>(1,266,044)</u>
State sources:				
State equalization	15,622,449	14,854,545	15,321,267	466,722
Other state funding	1,636,377	1,624,686	1,959,475	334,789
Total state sources	<u>17,258,826</u>	<u>16,479,231</u>	<u>17,280,742</u>	<u>801,511</u>
Federal sources	1,793,482	1,812,661	2,424,099	611,438
Total revenues	<u>41,697,888</u>	<u>41,406,368</u>	<u>41,553,273</u>	<u>146,905</u>
EXPENDITURES				
Instruction	25,083,935	24,854,043	24,568,487	285,556
Supporting services:				
Student services	3,231,912	3,218,686	2,937,392	281,294
Instructional staff	2,609,180	2,587,084	2,347,884	239,200
General administration	581,249	674,950	641,280	33,670
School administration	2,332,982	2,316,885	2,319,399	(2,514)
Business services	624,370	610,904	596,073	14,831
Operation and maintenance	4,317,886	4,672,181	4,374,802	297,379
Student transportation	479,707	477,928	317,937	159,991
Central services	1,297,093	1,228,171	1,236,958	(8,787)
Other support services	93,651	93,651	-	93,651
Community services	139,667	139,667	126,421	13,246
Facilities acquisition and construction	21,400	21,400	-	21,400
Contingency reserves	18,363,808	20,522,574	-	20,522,574
Total expenditures	<u>59,176,840</u>	<u>61,418,124</u>	<u>39,466,633</u>	<u>21,951,491</u>
Excess (deficiency) of revenues over expenditures	(17,478,952)	(20,011,756)	2,086,640	22,098,396
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,000,000)	(1,000,000)	(1,023,140)	(23,140)
Net change in fund balance	(18,478,952)	(21,011,756)	1,063,500	22,075,256
Fund balance - beginning	18,478,952	21,011,756	21,011,756	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,075,256</u>	<u>\$ 22,075,256</u>

See the accompanying independent auditors' report.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

BOND REDEMPTION FUND

The District has one debt service fund, the Bond Redemption Fund. This fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs. This fund's primary revenue sources are local property taxes levied specifically for debt service

For financial reporting purposes, the Bond Redemption Fund was determined to be a major fund of the District for the current fiscal year.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
BOND REDEMPTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local sources:			
Property taxes	\$ 3,937,668	\$ 3,863,656	\$ (74,012)
Other local sources	30,000	5,732	(24,268)
Total revenues	<u>3,967,668</u>	<u>3,869,388</u>	<u>(98,280)</u>
EXPENDITURES			
Debt service	4,151,709	4,146,209	5,500
Contingency reserves	4,566,606	-	4,566,606
Total expenditures	<u>8,718,315</u>	<u>4,146,209</u>	<u>4,572,106</u>
Net change in fund balance	(4,750,647)	(276,821)	4,473,826
Fund balance - beginning	<u>4,750,647</u>	<u>4,750,647</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 4,473,826</u>	<u>\$ 4,473,826</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. These funds may be required by statute or ordinance and others may be established through resolutions by the Board of Education for purposes of better administration. 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.

Governmental Designated-Purpose Grants Fund

Used to record financial transaction for grants received for designated programs funded by the federal government.

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.

Land Fund

This fund receives its primary source of income from fees in lieu of land paid by developers. The purpose of this fund is to accumulate resources for the new land development and acquisition costs.

Capital Projects Fund

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

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	<u>Special Revenue</u>					Total Nonmajor Governmental Funds
	Food Service Fund	Governmental Designated- Purpose Grants Fund	Pupil Activity Fund	Land Fund	Capital Projects Fund	
ASSETS						
Cash and investments	\$ 227,835	\$ -	\$ 508,403	\$ 215,448	\$ 3,091,719	\$ 4,043,405
Other receivables	100,148	-	-	-	-	100,148
Inventories and prepaid expenses	6,326	-	-	-	-	6,326
Total assets	<u>\$ 334,309</u>	<u>\$ -</u>	<u>\$ 508,403</u>	<u>\$ 215,448</u>	<u>\$ 3,091,719</u>	<u>\$ 4,149,879</u>
LIABILITIES						
Accounts payable and other current liabilities	\$ 104	\$ -	\$ -	\$ -	\$ 54,236	\$ 54,340
Accrued salaries and benefits	12,628	-	-	-	-	12,628
Unearned revenue	59,944	-	-	-	-	59,944
Total liabilities	<u>72,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,236</u>	<u>126,912</u>
FUND BALANCES						
Nonspendable for:						
Inventories and prepaid expenses	6,326	-	-	-	-	6,326
Restricted for:						
Capital projects	-	-	-	215,448	-	215,448
Committed for:						
Food service operations	255,307	-	-	-	-	255,307
Pupil activities	-	-	508,403	-	-	508,403
Assigned for:						
Capital projects	-	-	-	-	3,037,483	3,037,483
Total fund balances	<u>261,633</u>	<u>-</u>	<u>508,403</u>	<u>215,448</u>	<u>3,037,483</u>	<u>4,022,967</u>
Total liabilities and fund balances	<u>\$ 334,309</u>	<u>\$ -</u>	<u>\$ 508,403</u>	<u>\$ 215,448</u>	<u>\$ 3,091,719</u>	<u>\$ 4,149,879</u>

See the accompanying independent auditors' report.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Special Revenue</u>				<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service Fund</u>	<u>Governmental Designated- Purpose Grants Fund</u>	<u>Pupil Activity Fund</u>	<u>Land Fund</u>		
REVENUES						
Local sources	\$ 16,178	\$ -	\$ 719,012	\$ 31,109	\$ 1,855	\$ 768,154
State sources	7,055	-	-	-	15,970	23,025
Federal sources	603,904	1,464,283	-	-	-	2,068,187
Total revenues	<u>627,137</u>	<u>1,464,283</u>	<u>719,012</u>	<u>31,109</u>	<u>17,825</u>	<u>2,859,366</u>
EXPENDITURES						
Instruction	-	1,400,813	761,735	-	15,970	2,178,518
Supporting services	93,855	23,174	-	-	598,957	715,986
Food service operations	541,852	-	-	-	-	541,852
Community services	-	-	-	-	-	-
Facilities acquisition and construction	-	40,296	-	-	501,751	542,047
Total expenditures	<u>635,707</u>	<u>1,464,283</u>	<u>761,735</u>	<u>-</u>	<u>1,116,678</u>	<u>3,978,403</u>
Excess (deficiency) of revenues over expenditures	(8,570)	-	(42,723)	31,109	(1,098,853)	(1,119,037)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	23,140	-	1,000,000	1,023,140
Net change in fund balances	(8,570)	-	(19,583)	31,109	(98,853)	(95,897)
Fund balances - beginning, as restated	<u>270,203</u>	<u>-</u>	<u>527,986</u>	<u>184,339</u>	<u>3,136,336</u>	<u>4,118,864</u>
Fund balances - ending	<u>\$ 261,633</u>	<u>\$ -</u>	<u>\$ 508,403</u>	<u>\$ 215,448</u>	<u>\$ 3,037,483</u>	<u>\$ 4,022,967</u>

See the accompanying independent auditors' report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local sources:			
Other local sources	\$ 467,500	\$ 16,179	\$ (451,321)
State sources:			
Other state funding	9,700	7,054	(2,646)
Federal sources	<u>271,046</u>	<u>603,904</u>	<u>332,858</u>
Total revenues	<u>748,246</u>	<u>627,137</u>	<u>(121,109)</u>
EXPENDITURES			
Supporting services:			
Other support services	-	93,855	(93,855)
Food service operations	748,246	541,852	206,394
Contingency reserves	<u>270,203</u>	<u>-</u>	<u>270,203</u>
Total expenditures	<u>1,018,449</u>	<u>635,707</u>	<u>382,742</u>
Net change in fund balance	(270,203)	(8,570)	261,633
Fund balance - beginning	<u>270,203</u>	<u>270,203</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 261,633</u>	<u>\$ 261,633</u>

See the accompanying independent auditors' report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Federal sources	\$ 1,000	\$ 1,464,283	\$ 1,463,283
Total revenues	<u>1,000</u>	<u>1,464,283</u>	<u>1,463,283</u>
EXPENDITURES			
Instruction	1,401,813	1,400,813	1,000
Supporting services:			
Instructional staff	23,500	23,174	326
Facilities acquisition and construction	<u>39,970</u>	<u>40,296</u>	<u>(326)</u>
Total expenditures	<u>1,465,283</u>	<u>1,464,283</u>	<u>1,000</u>
Net change in fund balance	(1,464,283)	-	1,464,283
Fund balance - beginning	<u>1,464,283</u>	<u>-</u>	<u>(1,464,283)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
PUPIL ACTIVITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local sources:			
Other local sources	\$ 1,401,012	\$ 719,012	\$ (682,000)
Total revenues	<u>1,401,012</u>	<u>719,012</u>	<u>(682,000)</u>
EXPENDITURES			
Instruction	<u>527,986</u>	<u>761,735</u>	<u>(233,749)</u>
Total expenditures	<u>527,986</u>	<u>761,735</u>	<u>(233,749)</u>
Excess (deficiency) of revenues over expenditures	873,026	(42,723)	(915,749)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>23,140</u>	<u>23,140</u>
Net change in fund balance	873,026	(19,583)	(892,609)
Fund balance - beginning	<u>-</u>	<u>527,986</u>	<u>527,986</u>
Fund balance - ending	<u>\$ 873,026</u>	<u>\$ 508,403</u>	<u>\$ (364,623)</u>

See the accompanying independent auditors' report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
LAND FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local sources:			
Other local sources	\$ 36,200	\$ 31,109	\$ (5,091)
Total revenues	<u>36,200</u>	<u>31,109</u>	<u>(5,091)</u>
EXPENDITURES			
Facilities acquisition and construction	45,000	-	45,000
Contingency reserves	<u>175,539</u>	<u>-</u>	<u>175,539</u>
Total expenditures	<u>220,539</u>	<u>-</u>	<u>220,539</u>
Net change in fund balance	(184,339)	31,109	215,448
Fund balance - beginning	<u>184,339</u>	<u>184,339</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 215,448</u>	<u>\$ 215,448</u>

See the accompanying independent auditors' report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local sources:			
Other local sources	\$ 29,895	\$ 1,855	\$ (28,040)
State sources:			
Other state funding	-	15,970	15,970
Total revenues	<u>29,895</u>	<u>17,825</u>	<u>(12,070)</u>
EXPENDITURES			
Instruction	-	15,970	(15,970)
Supporting services:			
Operation and maintenance	1,177,993	598,957	579,036
Facilities acquisition and construction	1,147,857	501,751	646,106
Contingency reserves	1,840,381	-	1,840,381
Total expenditures	<u>4,166,231</u>	<u>1,116,678</u>	<u>3,049,553</u>
Excess (deficiency) of revenues over expenditures	(4,136,336)	(1,098,853)	3,037,483
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Net change in fund balance	(3,136,336)	(98,853)	3,037,483
Fund balance - beginning	<u>3,136,336</u>	<u>3,136,336</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 3,037,483</u>	<u>\$ 3,037,483</u>

See the accompanying independent auditors' report.

INTERNAL SERVICE FUNDS

Internal Service Funds account for operations that provide services to other departments or agencies of the District, or the other governments, on a cost-reimbursements basis.

The District reports two internal Service Funds for its self-insurance programs related to its employee health and dental benefit coverage.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	Health Insurance Reserve Fund	Dental Insurance Reserve Fund	Total Internal Service Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 493,465	\$ 348,742	\$ 842,207
Total assets	493,465	348,742	842,207
LIABILITIES			
Current liabilities			
Accounts payable	48,724	35,237	83,961
Total liabilities	48,724	35,237	83,961
NET POSITION			
Unrestricted	444,741	313,505	758,246
Total net position	\$ 444,741	\$ 313,505	\$ 758,246

See the accompanying independent auditors' report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	Health Insurance Reserve Fund	Dental Insurance Reserve Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ 190,267	\$ 5,345	\$ 195,612
OPERATING EXPENSES			
Purchased services	204,268	(204)	204,064
Total operating expenses	204,268	(204)	204,064
Operating income (loss)	(14,001)	5,549	(8,452)
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	256	172	428
Change in net position	(13,745)	5,721	(8,024)
Net position - beginning	458,486	307,784	766,270
Net position - ending	\$ 444,741	\$ 313,505	\$ 758,246

See the accompanying independent auditors' report.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	Health Insurance Reserve Fund	Dental Insurance Reserve Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from users	\$ 190,267	\$ 5,345	\$ 195,612
Cash payments to vendors	(197,777)	(2,872)	(200,649)
Net cash provided (used) by operating activities	(7,510)	2,473	(5,037)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	256	172	428
Net increase (decrease) in cash and cash equivalents	(7,254)	2,645	(4,609)
Cash and cash equivalents - beginning	500,719	346,097	846,816
Cash and cash equivalents - ending	\$ 493,465	\$ 348,742	\$ 842,207
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (14,001)	\$ 5,549	\$ (8,452)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
Increase (decrease) in:			
Accounts payable	6,491	(3,076)	3,415
Total adjustments	6,491	(3,076)	3,415
Net cash provided (used) by operating activities	\$ (7,510)	\$ 2,473	\$ (5,037)

See the accompanying independent auditors' report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
RISK MANAGEMENT - HEALTH INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Premiums & employer contributions	\$ 181,000	\$ 190,267	\$ 9,267
Total operating revenues	181,000	190,267	9,267
OPERATING EXPENSES			
Purchased medical services & supplies	240,000	186,252	53,748
Purchased management services	16,000	18,016	(2,016)
Contingency reserve	384,486	-	384,486
Total operating expenses	640,486	204,268	436,218
Operating income (loss)	(459,486)	(14,001)	445,485
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	1,000	256	(744)
Change in net position	(458,486)	(13,745)	444,741
Net position - beginning	458,486	458,486	-
Net position - ending	\$ -	\$ 444,741	\$ 444,741

See the accompanying independent auditors' report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
RISK MANAGEMENT - DENTAL INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Premiums & employer contributions	\$ 268,000	\$ 5,345	\$ (262,655)
Total operating revenues	268,000	5,345	(262,655)
OPERATING EXPENSES			
Purchased medical services & supplies	280,000	(204)	279,796
Contingency reserve	296,784	-	296,784
Total operating expenses	576,784	(204)	576,580
Operating income (loss)	(308,784)	5,549	313,925
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	1,000	172	(828)
Change in net position	(307,784)	5,721	313,097
Net position - beginning	307,784	307,784	-
Net position - ending	\$ -	\$ 313,505	\$ 313,097

See the accompanying independent auditors' report.

COMPLIANCE SECTION

SINGLE AUDIT

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
<i>Child Nutrition Cluster</i>				
Passed Through Colorado Department of Education				
School Breakfast Program	10.553	4553	\$ -	\$ 46,294
National School Lunch Program	10.555	4555		498,007
Passed Through Colorado Department of Human Services				
National School Lunch Program	10.555	4555		59,603
<i>Total Child Nutrition Cluster</i>				<u>603,904</u>
Total U.S. Department of Agriculture				<u>603,904</u>
U.S. Department of Treasury				
Passed Through Colorado Department of Education				
Coronavirus Relief Fund	21.019	4012,5012,6012		<u>1,881,060</u>
U.S. Department of Education				
Direct Programs				
Impact Aid	84.041			<u>109,562</u>
Passed Through Colorado Department of Education				
<i>Special Education Cluster</i>				
Special Education: Grants to States IDEA Part B	84.027	4027		788,207
Special Education: Preschool Grants	84.173	4173		9,938
<i>Total Special Education Cluster</i>				<u>798,145</u>
Title I Grants to Local Educational Agencies	84.010	4010,7010		596,614
Charter Schools	84.282	8282		70,000
English Language Acquisition Grants	84.365	4365,7365		39,957
Improving Teacher Quality State Grants	84.367	4367		79,688
Student Support and Academic Enrichment Program	84.424	4424		19,179
Education Stabilization Fund	84.425D	4420,4425		88,812
Passed through Colorado Community College System				
Vocational Education - Carl Perkins	84.048	4048		1,703
Total U.S. Department of Education			<u>-</u>	<u>1,803,660</u>
Total Federal Awards			<u>\$ -</u>	<u>\$ 4,288,624</u>

See the accompanying independent auditors' report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Cheyenne Mountain School District 12 under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Cheyenne Mountain School District 12, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cheyenne Mountain School District 12.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified-accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Cheyenne Mountain School District 12 has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – NON-CASH ASSISTANCE

During the year end June 30, 2021, Cheyenne Mountain School District 12 received \$59,603 in non-cash assistance in the form of food commodities. Valuation of commodities is based on fair market value at the time of receipt.



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

To the Board of Education
Cheyenne Mountain School District 12

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cheyenne Mountain School District 12, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Cheyenne Mountain School District 12's basic financial statements, and have issued our report thereon dated December 1, 2021. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cheyenne Mountain School District 12's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cheyenne Mountain School District 12's internal control. Accordingly, we do not express an opinion on the effectiveness of Cheyenne Mountain School District 12's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cheyenne Mountain School District 12's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hoelting & Company, Inc.

Colorado Springs, Colorado
December 1, 2021



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

To the Board of Education
Cheyenne Mountain School District 12

Report on Compliance for Each Major Federal Program

We have audited Cheyenne Mountain School District 12's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cheyenne Mountain School District 12's major federal programs for the year ended June 30, 2021. Cheyenne Mountain School District 12's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Cheyenne Mountain School District 12's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cheyenne Mountain School District 12's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cheyenne Mountain School District 12's compliance.

Opinion on Each Major Federal Program

In our opinion, Cheyenne Mountain School District 12, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Cheyenne Mountain School District 12 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cheyenne Mountain School District 12's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cheyenne Mountain School District 12's internal control over compliance.

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

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

Purpose of this Report

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

Hoelting & Company, Inc.

Colorado Springs, Colorado
December 1, 2021

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes x no
- Significant deficiency(ies) identified? ___ yes x none reported

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? ___ yes x no
- Significant deficiency(ies) identified? ___ yes x none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 21.019	Coronavirus Relief Fund – K-12
CFDA 84.010	Title I

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee? x yes ___ no

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section II—Financial Statement Findings

No findings reported.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the Cheyenne Mountain School District 12 Schedule of Findings and Questioned Costs for the year ended June 30, 2020. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2021 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

There were no prior year audit findings.

STATE COMPLIANCE



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

To the Board of Education
Cheyenne Mountain School District 12

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Cheyenne Mountain School District 12, as of and for the year ended June 30, 2021, which collectively comprise Cheyenne Mountain School District 12's basic financial statements, and our report thereon dated December 1, 2021, which expressed an unmodified opinion on those financial statement, 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 Cheyenne Mountain School District 12'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.

Colorado Springs, Colorado
December 1, 2021



Colorado Department of Education
Auditors Integrity Report
 District: 1020 - Cheyenne Mountain 12
 Fiscal Year 2020-21
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	20,445,082	39,557,883	38,297,299	21,705,665
18 Risk Mgmt Sub-Fund of General Fund	566,674	972,249	1,169,333	369,591
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	21,011,756	40,530,132	39,466,632	22,075,256
11 Charter School Fund	5,054,585	13,065,880	12,286,051	5,834,413
20,26-29 Special Revenue Fund	247,632	34,053	23,925	257,760
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	270,203	627,137	635,707	261,633
22 Govt Designated-Purpose Grants Fund	0	1,464,283	1,464,283	0
23 Pupil Activity Special Revenue Fund	556,083	894,297	913,096	537,284
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	4,750,647	3,869,388	4,146,209	4,473,826
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	1,552,972	1,420,703	1,422,900	1,550,775
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	3,136,336	1,017,825	1,116,678	3,037,483
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	36,580,214	62,923,699	61,475,482	38,028,431
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	766,270	196,040	204,064	758,246
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	766,270	196,040	204,064	758,246
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