

East Otero School District Number R-1  
La Junta, Colorado

Financial Statements with  
Independent Auditor's Report

For the Year Ended  
June 30, 2022

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June 30, 2022**

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*Independent Auditor's Report*

Board of Education  
East Otero School District R-1

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Otero School District R-1 (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules of the District's proportionate share of net pension and OPEB liabilities and contributions and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion

or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has elected to omit the Management's Discussion and Analysis. The omission of this information does not affect our opinion on the basic financial statements.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information including the balance sheet, statement of revenues, expenditures, and changes in fund balance, budget to actual information, auditor's integrity report, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying supplementary information is 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 June 5, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*rfarmer, llc*

June 5, 2023

## **Basic Financial Statements**

**East Otero School District R-1**  
**Statement of Net Position**  
**June 30, 2022**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Equivalents	\$ 8,347,232
Due from Other Governmental Agencies	2,542,225
Inventories	47,777
Capital Assets:	
Land	257,210
Buildings	42,092,394
Equipment and Furniture	528,288
Less: Accumulated Depreciation	(23,752,917)
Total Capital Assets	<u>19,124,975</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	3,160,674
OPEB	61,511
Total Assets	<u>33,284,394</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	1,173,553
Unearned Revenues	208,986
Long-term liabilities:	
Due within one year:	
Bonds payable	350,000
Compensated Absences	63,608
Due in more than one year:	
Bonds payable	2,970,000
Net Pension Liability	13,289,315
Net OPEB Liability	719,139
Total liabilities	<u>18,774,601</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	6,241,169
OPEB	258,170
<b>NET POSITION</b>	
Net investment in capital assets	15,804,975
Restricted:	
Debt Service	1,310,386
TABOR	515,000
Unrestricted	(9,619,907)
Total net position	<u>\$ 8,010,454</u>

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



**East Otero School District R-1**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

<u>Functions/Programs</u>	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Position Primary Government</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Primary government</b>					
Governmental Activities					
Instructional:					
Instruction	\$ 14,465,778	\$ 678,302	\$ 4,923,484	\$ 1,416,272	\$ (7,447,720)
Student Support Services	337,016	-	-	-	(337,016)
Instructional Staff Services	71,478	-	-	-	(71,478)
General Administration	351,161	-	-	-	(351,161)
School Administration	1,196,903	-	-	-	(1,196,903)
Business Services	190,216	-	-	-	(190,216)
Community Services	381,460	-	-	-	(381,460)
Food Services	1,345,056	93,473	1,285,685	-	34,102
Support Services:					
Central Support	772,687	-	-	-	(772,687)
Operations & Maintenance	1,968,970	-	-	-	(1,968,970)
Student Transportation	516,291	-	-	-	(516,291)
Interest on Long-term debt	149,689	-	-	-	(149,689)
Total governmental activities	<u>21,746,705</u>	<u>771,775</u>	<u>6,209,169</u>	<u>1,416,272</u>	<u>(13,349,489)</u>
<b>General revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					\$ 1,964,196
Property taxes, levied for debt service					416,027
Specific ownership, general					405,182
Specific ownership, debt service					74,729
State & federal aid not restricted to specific functions:					
State equalization/Per pupil revenue					11,303,967
Unrestricted investment earnings					10,067
Miscellaneous					356,070
Changes in PERA and OPEB assumptions					6,361,825
Transfers					(819,057)
Total general revenues, special items, and transfers					<u>20,073,006</u>
Change in net position					<u>6,723,517</u>
Net position - beginning					<u>1,286,937</u>
Net position - ending					<u><u>\$ 8,010,454</u></u>

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

**East Otero School District R-1**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2022**

	<u>General</u>	<u>Title Programs</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 6,840,682	\$ (981,018)	\$1,310,386	\$ 94,820	\$ 1,082,360	\$ 8,347,230
Due from other funds	286,020	67,952	-	-	128,075	482,047
Other receivables	1,014,054	1,300,273	-	-	227,899	2,542,226
Inventories	-	-	-	-	47,777	47,777
Total assets	<u>8,140,756</u>	<u>387,207</u>	<u>1,310,386</u>	<u>94,820</u>	<u>1,486,111</u>	<u>11,419,280</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	607,152	(1,061)	-	-	-	606,091
Due to other funds	196,027	276,455	-	-	9,565	482,047
Unearned revenue	151,362	57,624	-	-	-	208,986
Other accrued expenses	506,689	54,189	-	-	-	560,878
Other payables	-	-	-	-	6,584	6,584
Total liabilities	<u>1,461,230</u>	<u>387,207</u>	<u>-</u>	<u>-</u>	<u>16,149</u>	<u>1,864,586</u>
Fund balances:						
Non-spendable inventory	-	-	-	-	47,777	47,777
Assigned	-	-	-	-	1,422,185	1,422,185
Restricted Debt service	-	-	1,310,386	-	-	1,310,386
Committed capital projects funds	-	-	-	94,820	-	94,820
Restricted-TABOR	515,000	-	-	-	-	515,000
Unassigned	<u>6,164,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,164,526</u>
Total fund balances	<u>6,679,526</u>	<u>-</u>	<u>1,310,386</u>	<u>94,820</u>	<u>1,469,962</u>	<u>9,554,694</u>
Total liabilities and fund balances	<u>\$ 8,140,756</u>	<u>\$ 387,207</u>	<u>\$1,310,386</u>	<u>\$ 94,820</u>	<u>\$ 1,486,111</u>	<u>\$ 11,419,280</u>

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

**East Otero School District R-1**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2022**

Total fund balance, governmental funds	\$ 9,554,694
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	19,124,975
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position: Pension Plan Deferred Outflows.	3,222,185
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Some liabilities, (such as Notes Payable, Long-term Compensated Absences, Net Pension Liability, Pension Differences-Deferred Outflow and Bonds Payable ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(23,891,401)
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Rounding	<u>1</u>
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Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 8,010,454</u></u>
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The accompanying notes to financial statements  
are an integral part of these statements.

**East Otero School District R-1**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

	<u>General</u>	<u>Title Programs</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Property Taxes	\$ 1,952,708	\$ -	\$ 412,876	\$ -	\$ -	\$ 2,365,584
SO Tax	405,182	-	74,729	-	-	479,911
Student Activities	-	-	-	-	456,826	456,826
Intergovernmental	12,418,228	4,496,994	-	-	1,285,685	18,200,907
Charges for services	18,062	-	-	-	93,473	111,535
Investment earnings	9,230	-	783	55	-	10,068
Miscellaneous	429,855	-	3,151	-	50,560	483,566
Total revenues	<u>15,233,265</u>	<u>4,496,994</u>	<u>491,539</u>	<u>55</u>	<u>1,886,544</u>	<u>22,108,397</u>
<b>EXPENDITURES</b>						
Instructional:						
Instruction	8,617,246	4,492,041	-	58	-	13,109,345
Student Support Services	304,054	-	-	-	-	304,054
Instructional Support Services	71,478	-	-	-	-	71,478
General Administration	346,452	-	-	-	-	346,452
School Administration	1,196,903	-	-	-	-	1,196,903
Business Services	190,216	-	-	-	-	190,216
Student Transportation	377,382	-	-	-	-	377,382
Operations & Maintenance	1,929,296	-	-	-	-	1,929,296
Central Support	725,906	-	-	-	-	725,906
Total Instructional	13,758,933	4,492,041	-	58	-	18,251,032
Support Services:						
Food Services	-	-	-	-	1,330,930	1,330,930
Community Services	381,460	-	-	-	-	381,460
Student Activities	-	-	-	-	456,398	456,398
Principal	-	-	340,000	-	-	340,000
Interest Expense	-	-	102,684	-	-	102,684
Capital Outlay	-	-	-	-	805,007	805,007
Total Expenditures	<u>14,140,393</u>	<u>4,492,041</u>	<u>442,684</u>	<u>58</u>	<u>2,592,335</u>	<u>21,667,511</u>
Excess (deficiency) of revenues over expenditures	<u>1,092,872</u>	<u>4,953</u>	<u>48,855</u>	<u>(3)</u>	<u>(705,791)</u>	<u>440,886</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	940,000	940,000
Transfers out	(940,000)	-	-	-	-	(940,000)
Total other financing sources and uses	<u>(940,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>940,000</u>	<u>-</u>
Net change in fund balances	152,872	4,953	48,855	(3)	234,209	440,886
Fund balances - beginning	6,526,654	(4,953)	1,261,531	94,823	1,235,753	9,113,808
Fund balances - ending	<u>\$ 6,679,526</u>	<u>\$ -</u>	<u>\$ 1,310,386</u>	<u>\$ 94,820</u>	<u>\$ 1,469,962</u>	<u>\$ 9,554,694</u>

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

**East Otero School District R-1**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental**  
**Funds to the Statement of Activities**  
**For the Year Ended June 30, 2022**

Net change in fund balances - total governmental funds:	\$ 440,886
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$805,007 is less than depreciation of \$1,177,197 in the current period.	(372,190)
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.	340,000
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Net difference between PERA pension and OPEB actual expense contributions	6,361,825
Bond refunding and accrued interest	(47,005)
Rounding	<u>1</u>
Change in net position of governmental activities	<u><u>\$ 6,723,517</u></u>

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

**East Otero School District Number R-1**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**Note 1                      Summary of Significant Accounting Policies**

East Otero School District Number R-1 (the “District”) of Otero County was reorganized by a vote of qualified electorates in 1961, under the provisions of Colorado School Organization Act of 1957. The District operates under an elected Board of Education with five members and provides educational services to approximately 1,425 students.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in East Otero School District Number R-1. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

**Reporting Entity**

Governmental Accounting Standard Board (GASB) Statement No. 14, “*The Financial Reporting Entity*” (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to the Statement, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations whose exclusion from the reporting entity’s financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

The District is not included in any other governmental “reporting entity” as defined in GASB No. 14. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the District (the primary government) and its component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the District as a whole. The reporting information includes all of the non-fiduciary activities of the District. The effect of inter-fund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted

to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds (General Funds, Debt Service Fund, and Title Programs – Special Revenue Fund) are reported as separate columns in the fund financial statements.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, deferred outflows, current liabilities, and deferred inflows or resources generally are included on the balance sheet. This means that only current liabilities are generally included on their balance sheets.

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

All Governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Property and automotive ownership taxes are reported as receivables when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenues receipts.

Expenditures are recorded when the related fund liability is incurred with the exceptions of general obligation and capital lease debt service which is recognized when due and certain accrued sick personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their statements of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources, as they are needed.

### Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and means by which spending activities are controlled. The major fund presented in the accompanying basic financial statements as follows:

#### *Major Governmental Funds:*

- General Fund – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.
- Debit Service Fund – used to account for the accumulation of resources for, and the payment of, long-term general obligation debt principal, interest, and related costs.
- Special Revenue Fund – used to account for the proceeds of specified revenue sources that are legally restricted to expenditures for specified purposes.
  - Governmental Designated – Title Programs Fund – used to account for restricted state and federal grants including but not limited to Every Student Succeeds Act program which must be expanded as designated by the grantor agency.



### Cash and Investments

Cash represents amounts on deposit with financial institutions or held by the District. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

### Receivables

Property taxes levied in 2021 but uncollected in 2022 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2022 are recorded as deferred revenue and are presented net of an allowance for uncollectible taxes.

### Inventories

Materials and supplies inventories are stated at cost. Inventories recorded in the Food Service Fund consist of purchased and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt.

The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed.

### Capital Assets

Capital assets, which include property, vehicles, and equipment, are utilized for general District operations, and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets in governmental funds. However, the District does capitalize interest on the construction of capital assets in business-type activities.

The monetary threshold for capitalization of assets is \$5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-50 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition and any remaining depreciation as recorded in the year of disposition.

### Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and over long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. The District records long-term debts of governmental funds at face value. The District's general obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund. Capital leases are serviced from property taxes and other revenues of the General Fund and Capital Projects Fund. The long-term accumulated unpaid accrued sick, personal, and vacation leave are serviced from property taxes and other revenues by the respective fund type from future appropriations.

### Constitutional Amendment

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations, which apply to the State of Colorado and local governments. It requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any entity.

On November 7, 1995, the registered voters approved a ballot resolution authorizing the District to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased or any new tax imposed.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending. As of June 30, 2022, the District reserved \$515,000 for this purpose.

Spending and revenue limits are determined based on the prior fiscal year's spending adjusted for inflation in the prior calendar year plus annual increases in funded student enrollment. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions.

### Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied.

### Accumulated Sick and Personal Leave and Vacation

District policy allows support staff members who are employed full time for 12 calendar months shall earn .83 working days' vacation with pay per month (10 working days per year).

Earned vacation may not be accumulated to more than an employee is qualified to receive (i.e., 10 or 15 days per year). Any earned vacation days beyond this amount must be paid out in the July payroll.

As of June 30, 2022, accumulated unused vacation amounted to \$63,608. District policy allows for the accumulation of discretionary leave to a maximum of 90 days. Upon separation from the District after 15 years or more of service to the District, or upon retirement under the Public Employees Retirement Association (PERA), a teacher shall be compensated at 100 percent of the substitute teacher rate per day for all discretionary days in excess of 50 days, up to a maximum of 40 days.

As of June 30, 2022 the accumulated discretionary leave liability amounts to \$-0-.

A summary of changes in compensated absences is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Vacation	\$ 63,608	\$ -	\$ -	\$ 63,608

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### GASB Statement No. 54

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

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

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the District's highest level of decision-making authority).

4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

#### *Fund Balance Classification Policies and Procedures*

**Committed Fund Balance Policy** – The District's Committed Fund Balance is fund balance reporting required by the School Board, either because of a School Board Policy in the School Board Policy Manual, or because of motions that passed at School Board meetings.

**Assigned Fund Balance Policy** – The District's Assigned Fund Balance is fund balance reporting occurring by School Board Administration authority, under the direction of the Chief Business Officer.

#### *Order of Fund Balance Spending Policy*

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

#### 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.

## **Note 2**

### **Reconciliation of Government-Wide and Fund Financial Statements**

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

**Note 3****Budgetary Information**

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of Education in accordance with Colorado School Laws. Budgets are generally prepared on the same basis as that are used for accounting purposes.

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Business Manager 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 notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager 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 should be employed as a management control device during the year for the General Fund, Capital Projects Funds and Special Revenue Funds.
6. Budgets for the General, Capital Projects and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

All appropriations lapse at the end of each fiscal year. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent of Schools and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

**Note 4****Cash and Investments****Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a

single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

At June 30, 2022, the District's bank balance and corresponding carrying balance were as follows:

	Carrying Balance
Insured (FDIC)	\$ 500,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	6,546,025
Cash with County Treasurer	61,831
Cash on Hand	310
Total Cash and Deposits	<u>\$ 7,108,166</u>

### Investments

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

- Obligations for the US government and certain government agencies securities.
- Certain international agency securities.
- General obligation and revenue bonds of governmental entities.
- Bankers' acceptance of certain banks.
- Commercial paper.
- Local government investment pools.
- Written repurchase agreements collateralized by authorized securities.
- Guaranteed investment contracts.

Guaranteed investment contracts:

At June 30, 2022, the District had the following investments:

	Investment	Maturity	Fair Value
COLOTRUST	External Investment Pool	Under 60 Day Average	<u>\$ 1,253,565</u>

**Interest Rate Risk** – The District does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

**Credit Risk** – State Law limits the type of investments allowable. The investment of COLOTRUST is rated AAAM by Standard and Poor's.

**Concentration of Credit Risk** – The District has no policy restricting the amount that can be invested by any issuer.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices

in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has no recurring fair value measurements as of June 30, 2022:

- COLOTRUST – Investments in this external investment pool are reported at \$1 net asset value per share and are not subject to fair value measurement. The investment is reported at cost.

## Note 5 Capital Assets

A summary of changes in capital assets is as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Capital Assets Not Being Depreciated:				
Land	\$ 257,210	\$ -	\$ -	\$ 257,210
Capital Assets Being Depreciated:				
Land Improvements	711,598	-	-	711,598
Leasehold Improvements	211,371	-	-	211,371
Buildings and Improvements	36,307,041	1,323,703	-	37,630,744
Equipment and Vehicles	4,585,664	29,830	-	4,615,494
Total Capital Assets	41,815,674	1,353,533	-	43,169,207
Less: Accumulated Depreciation	(22,575,720)	(1,177,197)	-	(23,752,917)
Net Capital Assets Being Depreciated	19,239,954	176,336	-	19,416,290
Total Capital Assets, Net	\$ 19,497,164	\$ 176,336	\$ -	\$ 19,673,500

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

Instruction	\$ 900,556
Pupil Services	32,962
General Administration	4,709
Operations and Maintenance	85,935
Transportation	138,909
Food Service	14,126
Total	<u>\$ 1,177,197</u>

## Note 6 Interfund Receivables, Payables, and Transfers

Governmental Funds:	Transfers In	Transfers Out
General	\$ -	\$ 1,759,056
Student Activity	40,000	-
Grants	819,056	-
Capital Projects	900,000	-
Total	<u>\$ 1,759,056</u>	<u>\$ 1,759,056</u>

The transfers were for operational purposes. Interfund receivables and payables are expected to be repaid within the subsequent year.

**Note 7****General Obligation Bonds Payable****Series 2018 A, General Obligation Loan**

General Obligation (\$3,200,000) Loan (Series 2018 A) was issued dated January 23, 2018 with interest at 2.9% per annum, payable each June 15<sup>th</sup> and December 15<sup>th</sup>. Principal is due beginning December 15, 2018, and each year thereafter. Property taxes collected by the Debt Service Fund will be used to retire the loan. The District shall have no right to prepay the loan prior to January 24, 2022. The loan may be prepaid in whole, but not in part, prior to maturity, by paying the entire principal balance thereof and accrued interest thereon, subject to a prepayment fee calculated on the outstanding principal balance of the loan to be prepaid at the time of prepayment. The prepayment fee is 1% if prepaid between January 24, 2022 and January 23, 2023. There is no prepayment fee if prepayment is made after January 23, 2023.

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2023	\$ 66,700	\$ 210,000	\$ 276,700
2024	60,537	215,000	275,537
2025	54,158	225,000	279,158
2026	47,560	230,000	277,560
2027	40,818	235,000	275,818
2028	33,857	245,000	278,857
2029	26,680	250,000	276,680
2030	19,357	255,000	274,357
2031	11,818	265,000	276,818
2032	3,987	275,000	278,987
	<u>\$ 365,472</u>	<u>\$ 2,405,000</u>	<u>\$ 2,770,472</u>

**Series 2018 B, General Obligation Refunding Loan**

On January 23, 2018, the District issued \$1,440,000 in a General Obligation Refunding Loan with interest at 3.81% per annum, to advance refund the outstanding 2008 General Obligation bonds bearing interest ranging from 4.50% to 5.50%. Payments begin June 15, 2018 and continue every June 15<sup>th</sup> and December 15<sup>th</sup> each year thereafter. Refunding proceeds of \$1,440,000 along with \$1,900,000 from Debt Service Fund less loan issue costs of \$82,144, in the amount of \$3,257,856, was deposited with an escrow agent to provide debt service payments of \$3,145,000 in principal and \$1,088,888 in interest on the 2008 Series Bonds. As a result, the 2008 bonds are considered to be defeased and the liability for the issue has been removed from the District financial statements.

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2023	\$ 25,772	\$ 140,000	\$ 165,772
2024	21,426	145,000	166,426
2025	16,928	150,000	166,928
2026	12,276	155,000	167,276
2027	7,473	160,000	167,473
2028	2,516	165,000	167,516
Total	<u>\$ 86,391</u>	<u>\$ 915,000</u>	<u>\$ 1,001,391</u>



Changes in General Obligation Bonds / Loans

	Beginning Balance	Additions	Deletions	Ending Balance	Current Year
Series 2018 A	\$ 2,610,000	\$ -	\$ (205,000)	\$ 2,405,000	\$ 210,000
Series 2018 B	1,050,000	-	(135,000)	915,000	140,000
	<u>\$ 3,660,000</u>	<u>\$ -</u>	<u>\$ (340,000)</u>	<u>\$ 3,320,000</u>	<u>\$ 350,000</u>

**Note 8 Defined Benefit Pension Plan**

Summary of Significant Accounting Policies

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB)18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2021.

General Information About the Pension Plan

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

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

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

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

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

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

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

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

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

	July 1, 2021 through June 30, 2022
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total Employer contribution rate to the SCHDTF	19.88%
<i>Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42)</i>	

For purposes of GASB 68 paragraph 15, a circumstance exists in which a non-employer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-52-413, the State is required to contribute \$225 million direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Trust Fund. In addition to the \$225 million direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million, upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,581,451 for the year ended December 31, 2022.

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

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total pension liability to December 31, 2021. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the

calendar year 2021 relative to the total contributions of participating employers and the State as a non-employer contributing entity.

At June 30, 2022, the District reported a liability of \$13,289,315 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a non-employer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total proportion of the net pension liability that was associated with the District were as follows:

The District's proportionate share of the net pension liability	\$ 13,289,315
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	1,523,450
Total	<u>\$ 14,812,765</u>

At December 31, 2021, the District's proportion was .12728%, which is approximately the same as its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$3,540,982 and revenue of \$181,293 for support from the State as a non-employer contributing entity. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 567,092	\$ -
Changes of assumptions and other inputs	1,130,844	-
Net difference between projected and actual earnings on pension plan investments	672,012	6,241,169
Contributions subsequent to the measurement date.	790,726	N/A
Total	<u>\$ 3,160,674</u>	<u>\$ 6,241,169</u>

\$790,726 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2023	\$ (328,096)
2024	(1,536,492)
2025	(1,330,655)
2026	(675,976)
2027	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability (TPL) in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40 – 11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.00%
PERA benefit structure hired after 12/31/06 <sup>1</sup>	Financed by the AIR

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

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

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

Pre-retirement mortality assumptions were based on the PubT-2010 Employee Tables with generational projection using scale MP-2019.

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

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

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

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

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed by the PERA Board at their November 20, 2020, meeting. The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analysis was outlined in the Experience Study report dated October 28, 2020.

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

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

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

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

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

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

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

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

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% increase (8.25%)
Proportionate share of the net pension liability	\$19,560,786	\$13,289,315	\$8,056,008

*Pension Plan FNP.* Detailed information about the SCHDTF's FNP is available in PERA's ACFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

## Note 9

### Voluntary Investment Program

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

*Funding Policy.* The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended.

HB 22-1029: *Compensatory Direct Distribution to Public Employee's Retirement Association*, enacted June 7, 2022, and effective immediately, is intended to recompense PERA for the \$225 million direct distribution originally scheduled for receipt July 1, 2020 but suspended due to the enactment of HB 20-1379. Pursuant to HB 22-1029, the State treasurer is to issue a warrant to PERA in the amount of \$380 million, upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024. Based on this legislation and the known total fund investment return for 2021 of 16.1%, the July 1, 2023, direct distribution will be reduced by \$190 million, resulting in a payment of \$35 million, and the July 1, 2024, direct distribution will be reduced by an amount yet to be determined, but not greater than \$27.55 million, resulting in a payment of not less than \$197.45 million.

Governmental accounting standards require the net pension liabilities for financial reporting purposes be measured using the plan provisions in effect as of the pension plan's year end. The passage of HB 22-1029 into law is considered a nonrecognized subsequent event as these statutory changes to plan provisions did not exist as of the December 31, 2021, measurement date.



**Note 10****Defined Benefit Other Post Employment Benefit (OPEB) Plan**Summary of Significant Accounting Policies

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

General Information About the OPEB Plan

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

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

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

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

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$81,140 for the year ended December 31, 2021.

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

At June 30, 2022, the District reported a liability of \$719,139 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was

determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. The District proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the District's proportion was .08311%, which is approximately the same as its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$81,140. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,092	\$ 169,925
Changes of assumptions and other inputs	14,837	38,873
Net difference between projected and actual earnings on pension plan investments	5,012	49,372
Contributions subsequent to the measurement date	40,570	N/A
Total	\$ 61,511	\$ 258,170

\$40,570 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2023	\$ (63,609)
2024	(69,537)
2025	(65,412)
2026	(31,415)
2027	(6,354)
Thereafter	(901)

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

	State Division	School Division	Local Govt. Division	Judicial Division
Actuarial cost method		Entry age		
Price inflation		2.30%		
Real wage growth		0.70%		
Wage inflation		3.00%		
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40%	N/A
Long-term investment rate of return, net of OPEB				
plan investment expenses, including price inflation		7.25%		
Discount rate		7.25%		
Health care cost trend rates:				
PERA benefit structure:				
Service-based premium subsidy		0.00%		
PERACare Medicare plans		4.50% in 2021 6.00% in 2022 Gradually decreasing to 4.50% in 2029		
Medicare Part A premiums		3.75% in 2021 Gradually increasing to 4.50% in 2029		
DPS benefit structure:				
Service-based premium subsidy		0.00%		
PERACare Medicare plans		N/A		
Medicare Part A premiums		N/A		

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020, valuation, the following monthly costs/premiums are assumed for 2021 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	\$633	\$230	\$591
Kaiser Permanente Medicare Advantage HMO	\$596	\$199	\$562

The 2021 Medicare Part A premium is \$458 per month.

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 Premiums
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	4.00%
2024	5.60%	4.00%
2025	5.40%	4.00%
2026	5.10%	4.25%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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

Pre-retirement mortality assumptions for the State and Local Government Division (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% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

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

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

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

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

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2021 plan year.

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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 weighing the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

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 assets class are summarized in the table as follows:

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

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

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

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB liability	\$ 275,831	\$ 283,986	\$ 293,433

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfer of dollars in 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 projection test indicates 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% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% increase (8.25%)
Proportionate share of the net OPEB liability	\$ 904,613	\$ 719,139	\$ 691,527

*OPEB plan FNP.* Detailed information about the HCTF's FNP is available in PERA's ACFR which can be obtained at [www.copdfz.org/investments/pera-financial-reports](http://www.copdfz.org/investments/pera-financial-reports).

## Note 11

### Risk Management

The District is exposed to various risks of loss related to tots, 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 12                      Colorado School District Self Insurance Pool**

The District belongs to the Colorado School District's Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, and other coverage. The Board of Directors is composed of nine persons; all of whom are appointed by the Board of Directors of CSDIP. The Pool is managed by an Executive Director chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the Aggregate Pool claims, the cost of Administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as Expenditures in the Insurance Reserve fund.

The District's share in the pool is not determinable from current information but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2022.

**Note 13                      Summary Disclosure of Significant Commitments and Contingencies**

*Claims and Judgements* – The District participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2022, significant amounts of grant expenditures have not been audited by the grantor, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

**Note 14                      Joint Ventures**

**Santa Fe Trail Board of Cooperative Educational Services (BOCES)**

Not reflected in the accompanying financial statements is the District's participation in the Santa Fe Trail Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per District.

The District has one member on the Board. The Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is not determinable at June 30, 2022.

**Note 15            Accrued Salaries and Benefits**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, at June 30, 2022 are estimated to be \$555,925. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the various funds.

**Note 16            Compliance with Budget Laws**

The actual expenditures of the following funds exceeded their budget and may be in violation of Colorado Budget Law: Student Activity Fund, General Fund, Debt Service Fund.

## **Required Supplementary Information**

**East Otero School District R-1**  
**Budget and Actual**  
**General Fund**  
**For the year ended June 30, 2022**

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>			
Property Taxes	\$ 2,034,715	\$ 2,034,715	\$ 1,952,708
SO Taxes	309,138	309,138	405,182
Intergovernmental	11,604,916	11,604,916	12,418,228
Charges for services	15,000	15,000	18,062
Investment earnings	10,000	10,000	9,230
Miscellaneous	486,000	486,000	429,855
Total revenues	<u>14,459,769</u>	<u>14,459,769</u>	<u>15,233,265</u>
<b>EXPENDITURES</b>			
Instruction	7,605,305	7,605,305	8,617,246
Student Support Services	324,119	324,119	304,054
Instructional Support Services	79,040	79,040	71,478
General Administration	349,075	349,075	346,452
School Administration	1,208,506	1,208,506	1,196,903
Business Services	135,673	135,673	190,216
Student Transportation	398,308	398,308	377,382
Operations & Maintenance	1,689,336	1,689,336	1,929,296
Central Support	761,451	761,451	725,906
Community Services	346,164	346,164	381,460
Total Expenditures	<u>12,896,977</u>	<u>12,896,977</u>	<u>14,140,393</u>
Excess (deficiency) of revenues over expenditures	<u>1,562,792</u>	<u>1,562,792</u>	<u>1,092,872</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>(2,102,197)</u>	<u>(2,102,197)</u>	<u>(940,000)</u>
Total other financing sources and uses	<u>(2,102,197)</u>	<u>(2,102,197)</u>	<u>(940,000)</u>
Net change in fund balances	(539,405)	(539,405)	152,872
Fund balances - beginning	539,405	539,405	6,526,525
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,679,397</u>

**East Otero School District R-1**  
**Budget and Actual**  
**Title Program Fund**  
**For the year ended June 30, 2022**

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>			
Intergovernmental	\$ 4,879,271	\$ 4,879,271	\$ 4,496,994
Total revenues	<u>4,879,271</u>	<u>4,879,271</u>	<u>4,496,994</u>
<b>EXPENDITURES</b>			
Instruction	5,464,421	5,464,421	4,492,041
Student Support Services	6,214,468	6,214,468	-
Instructional Support Services	287,206	287,206	-
General Administration	70,000	70,000	-
Total Expenditures	<u>12,036,095</u>	<u>12,036,095</u>	<u>4,492,041</u>
Excess (deficiency) of revenues over expenditures	<u>(7,156,824)</u>	<u>(7,156,824)</u>	<u>4,953</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>1,115,000</u>	<u>1,115,000</u>	<u>-</u>
Total other financing sources and uses	<u>1,115,000</u>	<u>1,115,000</u>	<u>-</u>
Net change in fund balances	(6,041,824)	(6,041,824)	4,953
Fund balances - beginning	<u>6,041,824</u>	<u>6,041,824</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,953</u>

**East Otero School District Number R-1**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2022**

	for the years ended December 31,								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion (percentage) of the collective net pension liability	0.1277%	0.1421%	0.1230%	0.1184%	0.1300%	0.1284%	0.1274%	0.1398%	0.1414%
District's proportionate share of the collective pension liability	\$ 13,289,315	\$ 21,347,707	\$ 18,374,064	\$ 20,965,058	\$ 42,047,103	\$ 38,220,488	\$ 19,491,524	\$ 18,945,018	\$ 18,040,214
Payroll	\$ 10,188,030	\$ 7,524,988	\$ 7,589,728	\$ 6,796,403	\$ 6,210,436	\$ 5,815,736	\$ 5,696,167	\$ 5,822,142	\$ 5,750,544
District's proportionate share of the net pension liability as a percentage of its payroll	130%	284%	242%	308%	677%	657%	342%	325%	314%
Plan fiduciary net pension as a percentage of the total pension liability	74.86%	66.99%	64.52%	57.01%	43.96%	43.13%	59.16%	62.80%	64.06%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**East Otero School District Number R-1**  
**Schedule of Contributions and Related Ratios - Pension**  
**For the Year Ended June 30, 2022**

	for the years ended December 31,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutory required contributions	\$ 1,581,451	\$ 1,495,792	\$ 1,470,803	\$ 1,300,153	\$ 1,172,677	\$ 1,069,003	\$ 1,010,077	\$ 982,214	\$ 977,021	\$ 854,970
Contributions in relation to the statutorily required contribution	<u>1,581,451</u>	<u>1,495,792</u>	<u>1,470,803</u>	<u>1,300,153</u>	<u>1,172,677</u>	<u>1,069,003</u>	<u>1,010,077</u>	<u>982,214</u>	<u>977,021</u>	<u>854,970</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Payroll	\$ 10,188,030	\$ 7,524,988	\$ 7,589,728	\$ 6,796,403	\$ 6,210,436	\$ 5,815,736	\$ 5,696,167	\$ 5,822,142	\$ 5,750,544	\$ 5,669,608
Contribution as a percentage of payroll	15.52%	19.88%	19.38%	19.13%	18.88%	18.38%	17.73%	16.87%	16.99%	15.08%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**East Otero School District Number R-1**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability**  
**For the Year Ended June 30, 2022**

	<b>for the year ended December 31,</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
District's proportion (percentage) of the collective net pension liability	0.0831%	0.0804%	0.0769%	0.0739%	0.0730%
District's proportionate share of the collective OPEB liability	\$ 719,139	\$ 903,228	\$ 1,047,077	\$ 960,178	\$ 946,036
Payroll	\$ 10,188,030	\$ 7,589,728	\$ 6,796,403	\$ 6,210,436	\$ 5,696,167
District's proportionate share of the net pension liability as a percentage of its payroll	7.06%	11.90%	15.41%	15.46%	16.61%
Plan fiduciary net pension as a percentage of the total pension liability	39.40%	24.49%	17.03%	17.53%	16.71%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.



**East Otero School District Number R-1**  
**Schedule of Contributions and Related Ratios - OPEB**  
**For the Year Ended June 30, 2022**

	<b>for the years ended December 31,</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Statutory required contributions	\$ 81,140	\$ 77,415	\$ 69,323	\$ 63,346	\$ 58,040
Contributions in relation to the statutorily required contribution	<u>81,140</u>	<u>77,415</u>	<u>69,323</u>	<u>63,346</u>	<u>58,040</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Payroll	\$ 10,188,030	\$ 7,524,988	\$ 7,589,728	\$ 6,796,403	\$ 6,210,436
Contribution as a percentage of payroll	0.80%	1.43%	1.35%	1.22%	1.12%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

## **Other Supplementary Information**

**East Otero School District R-1**  
**Balance Sheet**  
**Other Governmental Funds**  
**June 30, 2022**

	<b>Food Service</b>	<b>Student Activity</b>	<b>Capital Reserve Building Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 406,181	\$ 214,427	\$ 461,752	\$ 1,082,360
Due from other funds	128,075	-	-	128,075
Other receivables	227,899	-	-	227,899
Inventories	47,777	-	-	47,777
Total assets	<u>809,932</u>	<u>214,427</u>	<u>461,752</u>	<u>1,486,111</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	-	9,565	-	9,565
Other payables	-	-	6,584	6,584
Total liabilities	<u>-</u>	<u>9,565</u>	<u>6,584</u>	<u>16,149</u>
Fund balances:				
Non-spendable-inventories	47,777	-	-	47,777
Assigned	762,155	204,862	455,168	1,422,185
Total fund balances	<u>809,932</u>	<u>204,862</u>	<u>455,168</u>	<u>1,469,962</u>
Total liabilities and fund balances	<u>\$ 809,932</u>	<u>\$ 214,427</u>	<u>\$ 461,752</u>	<u>\$ 1,486,111</u>

**East Otero School District R-1**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Other Governmental Funds**  
**For the Year Ended June 30, 2022**

	<b>Food Service</b>	<b>Student Activity</b>	<b>Capital Reserve Building Fund</b>	<b>Total-Other Governmental Funds</b>
<b>REVENUES</b>				
Student Activities	\$ -	\$ 456,826	\$ -	\$ 456,826
Intergovernmental	1,285,685	-	-	1,285,685
Charges for services	93,473	-	-	93,473
Miscellaneous	21,919	28,641	-	50,560
Total revenues	<u>1,401,077</u>	<u>485,467</u>	<u>-</u>	<u>1,886,544</u>
<b>EXPENDITURES</b>				
Support Services:				
Food Services	1,330,930	-	-	1,330,930
Student Activities	-	456,398	-	456,398
Capital Outlay	-	-	805,007	805,007
Total Expenditures	<u>1,330,930</u>	<u>456,398</u>	<u>805,007</u>	<u>2,592,335</u>
Excess (deficiency) of revenues over expenditures	<u>70,147</u>	<u>29,069</u>	<u>(805,007)</u>	<u>(705,791)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	40,000	900,000	940,000
Total other financing sources and uses	<u>-</u>	<u>40,000</u>	<u>900,000</u>	<u>940,000</u>
<b>SPECIAL ITEM</b>				
Net change in fund balances	70,147	69,069	94,993	234,209
Fund balances - beginning	<u>739,785</u>	<u>135,793</u>	<u>360,175</u>	<u>1,235,753</u>
Fund balances - ending	<u>\$ 809,932</u>	<u>\$ 204,862</u>	<u>\$ 455,168</u>	<u>\$ 1,469,962</u>

**East Otero School District R-1**  
**Budget and Actual**  
**Debt Service Fund**  
**For the year ended June 30, 2022**

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>			
Property Taxes	\$ 426,217	\$ 426,217	\$ 412,876
SO Taxes	147,308	147,308	74,729
Investment earnings	20,406	20,406	783
Miscellaneous	-	2,617	3,151
Total revenues	<u>593,931</u>	<u>596,548</u>	<u>491,539</u>
<b>EXPENDITURES</b>			
Principal	335,000	335,000	340,000
Interest and other charges	87,507	87,507	102,684
Total Expenditures	<u>422,507</u>	<u>422,507</u>	<u>442,684</u>
Excess (deficiency) of revenues over expenditures	<u>171,424</u>	<u>174,041</u>	<u>48,855</u>
Net change in fund balances	171,424	174,041	48,855
Fund balances - beginning	-	-	1,261,531
Fund balances - ending	<u>\$ 171,424</u>	<u>\$ 174,041</u>	<u>\$ 1,310,386</u>

**East Otero School District R-1**  
**Budget and Actual**  
**Student Activity Fund**  
**For the year ended June 30, 2022**

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>			
Student activities	\$ -	\$ -	\$ 456,826
Investment earnings	32	32	-
Miscellaneous	37,005	37,005	28,641
Total revenues	<u>37,037</u>	<u>37,037</u>	<u>485,467</u>
<b>EXPENDITURES</b>			
Athletic & Activity Programs	<u>276,500</u>	<u>276,500</u>	<u>456,398</u>
Total Expenditures	<u>276,500</u>	<u>276,500</u>	<u>456,398</u>
Excess (deficiency) of revenues over expenditures	<u>(239,463)</u>	<u>(239,463)</u>	<u>29,069</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>-</u>	<u>-</u>	<u>40,000</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>40,000</u>
Net change in fund balances	(239,463)	(239,463)	69,069
Fund balances - beginning	239,463	239,463	135,793
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,862</u>

**East Otero School District R-1**  
**Budget and Actual**  
**Food Service Fund**  
**For the year ended June 30, 2022**

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>			
Intergovernmental	\$ 1,007,554	\$ 1,007,554	\$ 1,285,685
Charges for services	68,000	68,000	93,473
Miscellaneous	10,000	10,000	21,919
Total revenues	<u>1,085,554</u>	<u>1,085,554</u>	<u>1,401,077</u>
<b>EXPENDITURES</b>			
Centralized Services	<u>1,706,700</u>	<u>1,706,700</u>	<u>1,330,930</u>
Total Expenditures	<u>1,706,700</u>	<u>1,706,700</u>	<u>1,330,930</u>
Excess (deficiency) of revenues over expenditures	<u>(621,146)</u>	<u>(621,146)</u>	<u>70,147</u>
Net change in fund balances	(621,146)	(621,146)	70,147
Fund balances - beginning	<u>621,146</u>	<u>621,146</u>	<u>739,784</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 809,931</u></u>

**East Otero School District R-1**  
**Budget and Actual**  
**Capital Projects Fund**  
**For the year ended June 30, 2022**

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>REVENUES</b>			
Intergovernmental	\$ 2,600,000	\$ 2,600,000	\$ -
Investment earnings	-	-	55
Miscellaneous	3,600,000	3,600,000	-
Total revenues	<u>6,200,000</u>	<u>6,200,000</u>	<u>55</u>
<b>EXPENDITURES</b>			
Support Services:			
General government	-	-	58
Capital Outlay	<u>2,600,000</u>	<u>2,600,000</u>	-
Total Expenditures	<u>2,600,000</u>	<u>2,600,000</u>	<u>58</u>
Excess (deficiency) of revenues over expenditures	<u>3,600,000</u>	<u>3,600,000</u>	<u>(3)</u>
Net change in fund balances	3,600,000	3,600,000	(3)
Fund balances - beginning	-	-	94,823
Fund balances - ending	<u>\$ 3,600,000</u>	<u>\$ 3,600,000</u>	<u>\$ 94,820</u>





**Colorado Department of Education**  
**Auditors Integrity Report**  
**District: 2520 - East Otero R-1**  
**Fiscal Year 2021-22**  
**Colorado School District/BOCES**

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

Fund Type & Number		Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>		+		-	=
10	General Fund	6,560,029	14,259,889	14,140,392	6,679,525
18	Risk Mgmt Sub-Fund of General Fund	0	344,070	344,070	0
19	Colorado Preschool Program Fund	-28,437	470,034	441,597	0
<b>Sub- Total</b>		<b>6,531,592</b>	<b>15,073,993</b>	<b>14,926,059</b>	<b>6,679,525</b>
11	Charter School Fund	0	0	0	0
20,26-29	Special Revenue Fund	0	0	0	0
06	Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
07	Total Program Reserve Fund	0	0	0	0
21	Food Service Spec Revenue Fund	739,784	1,401,076	1,330,930	809,931
22	Govt Designated-Purpose Grants Fund	-4,953	4,496,994	4,492,041	0
23	Pupil Activity Special Revenue Fund	135,793	525,467	456,398	204,863
25	Transportation Fund	0	0	0	0
31	Bond Redemption Fund	1,261,531	491,539	442,684	1,310,386
39	Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41	Building Fund	94,823	55	58	94,820
42	Special Building Fund	0	0	0	0
43	Capital Reserve Capital Projects Fund	360,175	900,000	805,007	455,168
46	Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>		<b>9,118,746</b>	<b>22,889,124</b>	<b>22,453,177</b>	<b>9,554,693</b>
<b>Proprietary</b>					
50	Other Enterprise Funds	0	0	0	0
64 (63)	Risk-Related Activity Fund	0	0	0	0
60,65-69	Other Internal Service Funds	0	0	0	0
<b>Totals</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>					
70	Other Trust and Agency Funds	0	0	0	0
72	Private Purpose Trust Fund	0	0	0	0
73	Agency Fund	0	0	0	0
74	Pupil Activity Agency Fund	0	0	0	0
79	GASB 34:Permanent Fund	0	0	0	0
85	Foundations	0	0	0	0
<b>Totals</b>		<b>-0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FINAL

**East Otero School District R-1**  
**Schedule of Expenditure of Federal Awards**  
**For the Year Ended June 30, 2022**

<b><u>GRANT TITLE</u></b>	<b><u>GRANT CODE</u></b>	<b><u>FEDERAL ALN</u></b>	<b><u>AMOUNT OF AWARD EXPENDED</u></b>	
<b>DEPARTMENT OF AGRICULTURE:</b>				
National School Lunch Program Cluster				
Summer Food Service Program	4559	10.559	\$ 108,629	
Seamless Summer Option Breakfast	5553	10.553	208,393	
Seamless Summer Option Lunch	5555	10.555	670,788	
Fresh Fruit and Vegetables	4582	10.582	38,881	
EBT SNAP Program	4649	10.649	3,063	
Supply Chain Assistance	6555	10.555	25,146	
Commodities Received	4555	10.555	<u>55,929</u>	
Cluster Total				1,110,829
<b>DEPARTMENT OF EDUCATION</b>				
<b>COLORADO DEPARTMENT OF EDUCATION:</b>				
Title I	4010	84.010	<u>4,496,994</u>	<u>4,496,994</u>
<b>TOTAL FEDERAL FINANCIAL AWARDS</b>			<u><u>\$ 5,607,823</u></u>	

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of East Otero School District R-1 and is presented on the modified accrual basis of accounting.

East Otero School District R-1 received non-cash commodities of \$55,929, which is valued at amounts determined by the Colorado Department of Education and USDA.

East Otero School District R-1 does not use the 10% de minimis cost rate.

East Otero School District R-1 did not have any sub-recipients for 2021-22.

*Independent Auditor's Report*

Board of Education  
East Otero School District R-1

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Otero School District R-1 (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 5, 2023.

***Report on Internal Control over Financial Reporting***

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

***Report on Compliance and Other Matters***

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

*rfarmer, llc*

June 5, 2023

*Independent Auditor's Report*

Board of Education  
East Otero School District R-1

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

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

We have audited East Otero School District R-1's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*rfarmer, llc*

June 5, 2023

**East Otero School District R-1**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2022**

**Section I: Summary of Auditor's Results**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: 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 federal programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified?        Yes   X   None Reported

Type of auditor's report issued on compliance for major federal 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 federal programs:

Assistance Listing	84.010	Name of Federal	Title I
Number(s) (ALN):		Program or Cluster:	

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as a low-risk auditee?   X   Yes        No

**Section II: Financial Statement Findings**

There are no findings to report.

**Section III: Federal Awards Findings**

There are no findings to report.