

2020-2021



ANNUAL FINANCIAL REPORT



EL PASO COUNTY SCHOOL DISTRICT 3
1820 Main Street
Colorado Springs, CO 80911

ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2021

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Scott Campbell/Kevin Duren

Prepared By:

BUSINESS AND FINANCE OFFICE

Terry Kimber
Chief Financial Officer

Rachel Morse
District Accountant

EL PASO COUNTY SCHOOL DISTRICT NO. 3
TABLE OF CONTENTS
JUNE 30, 2021

	Page
INTRODUCTORY SECTION	
Table of Contents	<i>i</i>
Letter of Transmittal	<i>iii</i>
Principal Officials	<i>ix</i>
Organizational Chart	<i>x</i>
INDEPENDENT AUDITORS’ REPORT	<i>xi</i>
MANAGEMENT’S DISCUSSION AND ANALYSIS	<i>xiv</i>
FINANCIAL SECTION	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet—Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	6
Notes to Financial Statements	7
Required Supplementary Information:	
Schedule of the Employer’s Proportionate Share of the Net Pension Liability	49
Schedule of the Employer’s Payroll Contributions – Pension	50
Schedule of the Employer’s Proportionate Share of the Net OPEB Liability	51
Schedule of the Employer’s Payroll Contributions – OPEB	52
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	53
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Designated-Purpose Grants Fund	54
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Widefield Parks and Recreation Fund	55

EL PASO COUNTY SCHOOL DISTRICT NO. 3
TABLE OF CONTENTS
JUNE 30, 2021

	Page
FINANCIAL SECTION (CONTINUED)	
Combining and Individual Fund Statements and Schedules:	
<i>Bond Redemption Fund:</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual	56
<i>Building Fund:</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual	57
<i>Non-major Governmental Funds:</i>	
Combining Balance Sheet	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	59
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	
Food Service Fund	60
Pupil Activity Fund	61
Conservation Trust Fund	62
Capital Projects Fund	63
COMPLIANCE SECTION	
Single Audit:	
Schedule of Expenditures of Federal Awards	64
Notes to the Schedule of Expenditures of Federal Awards	65
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	66
Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by <i>Uniform Guidance</i>	68
Schedule of Findings and Questioned Costs	70
Summary Schedule of Prior Audit Findings	72
State Compliance:	
Independent Auditors’ Report on Colorado School District/BOCES Auditors’ Integrity Report	73
Colorado School District/BOCES Auditor’s Integrity Report	74



Terry Kimber, Chief Financial Officer

1820 Main Street, Colorado Springs, CO 80911 Phone (719) 391-3026 Fax (719) 391-3037

November 1, 2021

To the members of the Board of Education, the Superintendent and Citizens of Widefield School District 3:

State law requires that school districts publish, within six months after the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. State law also requires that this report must be submitted to the Board of Education within five months after the close of the fiscal year. Pursuant to that requirement, we hereby issue the annual financial report of El Paso County School District 3 for the fiscal year ended June 30, 2021.

This report consists of management's representations concerning the finances of the district. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, district management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the district's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the district's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

El Paso County School District 3's financial statements have been audited by *Hoelting & Company, Inc.*, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the district for the fiscal year ended June 30, 2021 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the district's financial statements for the fiscal year ended June 30, 2021 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Mr. Kevin Duren, Superintendent

The independent audit of the district's financial statements was part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the district's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Single Audit section of this report.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The district's MD&A can be found immediately following the report of the independent auditors.

The district's annual financial report incorporates the reporting model prescribed by the Governmental Accounting Standards Board (GASB) Statement 34. This approach emphasizes the use of government-wide financial statements, in addition to fund financial statements, enabling the reader to obtain an overview of the district's financial position and results of operations.

Profile of the District

El Paso County School District 3, an independent school district, provides a full range of school programs and services authorized by Colorado state statute. This includes pre-kindergarten through 12th grade education in elementary, junior and senior high schools; special education for disabled students; gifted and talented programs; vocational and adult education; preschool; and other educational programs.

The Board of Education has significant control over one legally separate entity. James Madison Charter Academy charter school is deemed to be a component unit of the district and its financial data has been included in the government-wide financial statements. James Madison Charter Academy receives a proportionate share of state equalization revenue, mill levy override revenue and impact aid revenue based on the number of students enrolled at the charter school.

This report includes all funds, organizations and activities with which the Board of Education has significant relationships as further described in Note 1 of the notes to the basic financial statements.

The annual budget serves as the foundation for the district's financial planning and control. An adopted budget is developed based on budget requests of individual departments of the district. The business and finance office presents the adopted budget to the Board of Education for review. Public hearings are held on the adopted budget, and a final budget is approved no later than June 30, the close of the district's fiscal year.

The appropriated budget is prepared by fund, function and department. Budget-to-actual comparisons are provided in other supplementary information for each non-major governmental fund for which an appropriated annual budget has been adopted.

The district maintains 17 school buildings and 1 vocational training center (MILL). The oldest buildings are North Preschool and Widefield Elementary, both constructed in 1956. The newest school building is Grand Mountain, a PreK-8 school, constructed in 2019. Martin Luther King elementary was completely remodeled in 2014.

Local Economy

While Widefield School District 3 enjoys a strong and trusting partnership with its community, there is very little industry and therefore the district has a low tax base and assessed value. However, the district benefits from its proximity to Fort Carson, a large U.S. Army base contiguous to the school district to the west and south. There are approximately 25,500 active-duty military personnel assigned to Fort Carson. Those soldiers bring with them 31,000 family members; Widefield provides education for 2,024 children of active-duty soldiers.

Student Enrollment Trends

Widefield School District 3 has experienced steady trends in its student full-time equivalency (FTE) enrollment. The enrollment was 9,188 for the 2020-2021 school year. Enrollment dropped by nearly 500 students due to the COVID-19 Pandemic. The district is still anticipating steady long-term growth. The areas to the south and east of the district are in the process of rapid growth. These areas include Lorson Ranch and The Glen subdivisions. New areas are being prepared in the eastern part of the district for new housing developments as well. Due to this growth on the eastern edge of the District, voters approved a \$49.5 million bond issue to build a new PreK-8 school which opened for its first school year in August 2019. Grand Mountain K-8 School's enrollment soared to over 1,000 in the first year of operation.

School Finance and Legislative Activity

Colorado school finance formulas consist of three main components: the legislatively controlled funding amount per pupil, the number of pupils in the district, and the number of students eligible for free lunch. When Amendment 23 was passed by Colorado voters in November 2000, school districts were promised an inflationary increase of per pupil base funding plus 1% for 10 years. The additional 1% ended in fiscal year 2011. The inflationary increase is based on the Denver-Boulder consumer price index (CPI) of the prior calendar year. The CPI increase for 2021 was 1.9%.

For the fiscal year 2020-2021, the State General Assembly enacted a \$350 per pupil decrease to WSD3's PPR. The negative factor increased from \$572 million to over \$1.2 billion state-wide.

The PPR Funding for the 2020-2021 fiscal year decreased to \$7,715 from the 2019-2020 PPR amount of \$8,065 per FTE. Funding for 2021-2022 is anticipated to increase approximately \$790 per student due to the State recovering better than anticipated from the Covid-19 Pandemic.

TABOR – Article X, Section 20 of the state constitution creates limitations on general operating

property tax revenue increases from one year to the next. Restrictions also apply to certain spending levels and revenue levels from one year to the next. Both limitations are determined by the sum of the increases or decreases in the Denver-Boulder CPI and the actual growth rate (change in the number of students). A declining enrollment actually lowers the maximum level by which revenue and spending may increase.

Local voters within each Colorado school district may, through a majority vote, temporarily or permanently override either or both negative impacts created by the school finance act and TABOR. The voters in District 3 passed an amendment in November 1999 allowing the district to retain excess revenues in that and all future years. In November 2002 the voters approved a permanent mill levy override. A second mill levy override and a bond issue were approved in November 2017.

Total revenue for the General Fund is projected at approximately \$91.9 million for fiscal year 2021-2022, which is about \$7.5 million more than actual revenues for fiscal year 2020-2021. Total fund balance is increasing by approximately \$620 thousand for 2020-2021.

The district is committed to an ongoing review of its programs and services for both effectiveness and efficiency. To accomplish this, the district examines how to best provide essential services on a cost-effective basis and to redirect resources to schools. The following priorities for the 2021-2022 fiscal year are consistent with this philosophy:

- Teacher staffing in support of excellence and enrollment growth increased due to enrollment and specific school needs for 2021-2022.
- In the fall of 2002, the district passed a mill levy override of \$3.95 million. The additional dollars were needed to take care of four initiatives: increased student achievement; reduce and/or maintain class size; improve reading, writing and math resources (instructional coaches); and attract and retain top-quality professionals.
- In November of 2017, the district passed a second mill levy override of \$3.5 million. The additional resources have been used as previously mentioned.
- Salary adjustments for the staff are the result of salary and compensation policy discussions. For the 2021-2022 school year, significant increases in staff pay were made and effort to significantly increase starting salaries was made. There was no increase for the 2020-2021 year to employees' base salary due to the budget cuts however there was a one-time compensation of 1.25% paid to each eligible employee.

Cash management policies and practices

The district maintains its surplus cash in various investment vehicles with varying annual rates of return.

Since 2003, the district has followed an active investment approach with the portfolio managed by the district's Finance Department assisted by an external investment advisor. The Board of

Education has implemented its investment policy including significant investment procedures to assist with the prudent management of the portfolio.

The district's principal investment objectives include preservation of capital and protection of investment principal; maintenance of sufficient liquidity to meet anticipated cash flows; diversification to avoid incurring unreasonable market risks; attainment of a market value rate of return; and conformance with all applicable district policies and state and federal regulations. These objectives ensure that the district's funds are invested in authorized securities and diversified as to not incur unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. The district maintains its investments in various securities in order to not exceed stated guidelines concerning the authorized limit on investments of one type of security.

For fiscal year 2020-2021, cash was invested primarily in U.S. government treasuries and agencies, and the Colorado Local Government Liquid Asset Trust (COLOTRUST).

Mill Levy overrides

A mill levy override was approved by voters in November 2002. The following four initiatives were included:

- Increased student achievement
- Reduce and/or maintain class size
- Improve reading, writing and math resources (instructional coaches)
- Attract and retain top-quality professionals

In November 2017, the voters overwhelmingly passed a second mill levy override to local property tax funding. When combined with the 2002 override the two equal 10% of the School Finance Act total program. For 2021, the amount was an additional \$4.3 million. The total mill levy override funding collected for 2020-2021 was \$8,249,996. These additional Funds were used to support the following initiatives:

- Staff salary increases
- Minimum wage salary increase
- District support for employee health insurance
- Technology
- Curriculum resources
- Elementary support staff
- School building budgets
- PLTW pathway teachers
- Robotics program
- Support for staffing Grand Mountain School

Acknowledgements

We express gratitude to those who assisted in the preparation of this report, which would not have been possible without the dedicated efforts of the Finance Department staff. We commend outgoing Superintendent Scott Campbell, incoming Superintendent Kevin Duren, and the Board of Education for their interest and support in planning and conducting the financial operations of the district in a responsible and progressive manner.

We also thank the independent auditors from the certified public accounting firm of *Hoelting & Company, Inc.* for their careful review of this document. Their assistance was invaluable in finalizing the report.

We offer special thanks to the following district employees, whose efforts and contributions made the preparation of the fiscal year 2020-2021 Annual Financial Report a success:

Widefield School District 3 Finance Office

Bryn Briscoe, Office Assistant

Kate Martin, Payroll

Grant Lindaman, Payroll/Benefits

Liza Vondriska, Accounts Payable

Olivia Barron, Purchasing Manager

Rene Swindale, Bookkeeper

Respectfully submitted,



Terry Kimber
Chief Financial Officer



Rachel A. Morse
Staff Accountant

**SUPERINTENDENT’S CABINET
2020-2021**

Scott Campbell..... Superintendent

Connie Florell.....Assistant Superintendent

Dennis Neal.....Chief Operations Officer

Joe Garrett.....Assistant Superintendent

Kevin Duren.....Executive Director of Secondary Student Learning and Math Achievement

Kirk VseteckaExecutive Director of Human Resources

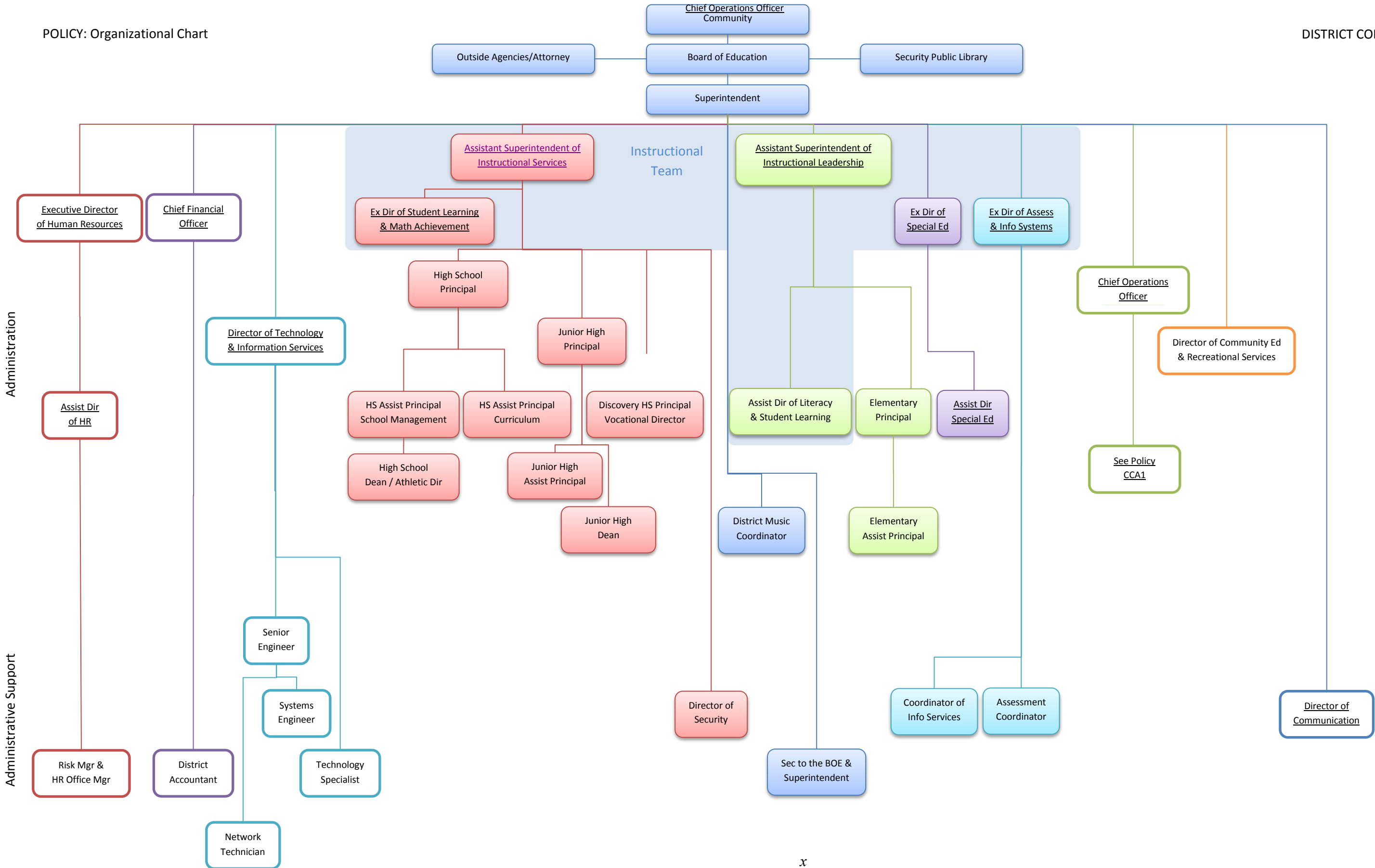
Kirsten Toy.....Executive Director of Student Achievement

Lisa HumberdExecutive Director of Special Education

Sam Briggs.....Director of Communication

Terry Kimber.....Chief Financial Officer

Kevin Duren..... Superintendent June 1, 2021



Administration

Administrative Support

Instructional Team

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
El Paso County School District No. 3

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of El Paso County School District No. 3, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of El Paso County School District No. 3, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 3's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the El Paso County School District No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Paso County School District No. 3's internal control over financial reporting and compliance.

Hoelting & Company, Inc.

Colorado Springs, Colorado
October 29, 2021

Management's Discussion and Analysis

As management of El Paso (Widefield) School District 3, we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal.

Financial Highlights

- The District's total net position increased \$37,931,147 during fiscal year 2020-2021. This is mostly due to GASB Statement No. 68. (PERA Reporting). See note eleven and twelve to the financial statements for additional information and the investment in capital assets from bond proceeds.
- At the close of the current fiscal year, the District's *governmental funds* reported combined ending fund balances of \$76,785,862 compared to \$62,105,159 at the close of the prior fiscal year. This is mainly due to proceeds from certificates of participation (\$17.3 million) for the construction of a new Parks and Recreation facility over the next couple of years.
- At June 30, 2021, the General Fund reported non-spendable fund balance of \$294,560. The total restricted fund balances for all *governmental funds* were \$19,995,549 including \$3,450,750 in the General Fund and \$5,007,877 in the Bond Redemption Fund. The total General Fund unassigned fund balance increased by \$789,829 to \$21,763,541 at June 30, 2021.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of changes in the financial position of the District. Current and previous year information is presented for comparison.

The *statement of activities* presents information reporting how the District's net position changed during fiscal year 2020-2021. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows for future fiscal periods. Earned but unused vacation leave and uncollected taxes are examples of these types of items.

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instruction, pupil activities, instructional support, general and school administration, business and central services, and transportation. Production printing activities, reported in the Internal Service Fund, are considered governmental activities. Currently, the District has no business-type activities.

Fund Financial Statements

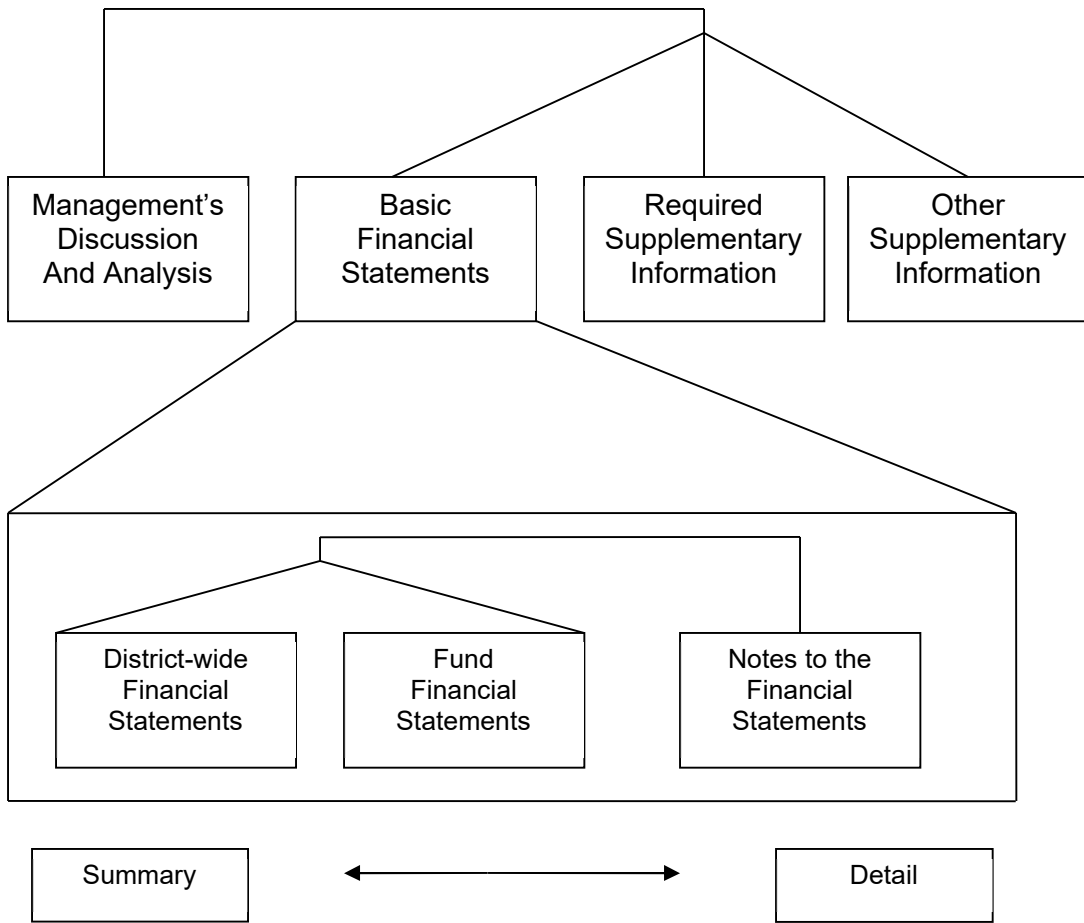
A *fund* is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All District funds can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund, Widefield Parks and Recreation, Building Fund, and Bond Redemption, which are treated as *major funds*. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* as other supplementary information in the report.

Organization of El Paso County School District No. 3 Annual Financial Report



This figure shows how the various parts of this annual report are arranged and related to one another.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI) concerning the District. The District adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the General fund to demonstrate compliance with this budget.

Other Supplementary Information

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

Financial Analysis of the District as a Whole

- As noted earlier, net position over time may serve as a useful indicator of the District's financial position. For the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$100,154,292 at June 30, 2021.
- By far, the largest portion of the District's net position reflects its \$232,567,936 in pension liability and deferred inflows reported per GASB Statement No. 68 and GASB Statement No. 75 (Accounting for Post-Employment Benefits or OPEB) of \$8,192,054. This is a combined decrease of \$14,475,730 for fiscal year 2021. Long term debt increased due to the certificates of participation loans for the Widefield Parks and Recreation's new facility construction.

Governmental Activities. Governmental activities increased the District's net position by \$37,931,147 compared to an increase of \$24,422,857 for the previous fiscal year due to GASB 68 and GASB 75 (PERA Liabilities) and the increase in net investment in fixed assets. Key elements of this increase follow:

- The cost of all governmental activities for fiscal year 2020-2021 was \$73,364,483 compared to \$90,181,643 for the previous fiscal year this decrease was mainly due to the over doubling of the School Finance Act's Budget Stabilization Factor or Negative Factor. The drastic decrease in students due to the Covid-19 Pandemic is also a major contributing factor.
- For fiscal year 2020-2021, governmental activities were financed with \$24,212,173 in property taxes, and \$2,879,703 in specific ownership taxes, and \$59,796,797 of unrestricted state equalization based on the statewide education aid formula. For comparison, in fiscal year 2019-2020, this portion of governmental activities were financed with \$26,219,329 in property taxes and specific ownership taxes, and \$64,857,115 of unrestricted state equalization.
- Users of some of the District's governmental programs financed \$1,688,764 for fiscal year 2020-2021 compared to \$2,809,254 for the previous fiscal year.
- The federal and state governments subsidized certain programs with operating grants and contributions totaling \$18,151,976 for fiscal year 2020-2021 compared to \$11,814,554 for fiscal year 2019-2020. This increase can be attributed to the Federal COVID Relief Funds.
- District and state taxpayers financed most District governmental activities.

Economic Factors and next year's budget

Colorado's economy continue to thrive although at a slower pace through the COVID-19 Pandemic. The state budget cuts for the 20-21 fiscal year were in excess and the state was able to reverse the cuts made and restore the Budget Stabilization Factor to 19-20 levels. Federal Funding has continued to pour in to support the district's efforts to mitigate the effects COVID-19 has inflicted on schools. The district has continued to prioritize student learning and safety with the spending of these additional funds.

State funding for 2021-2022 was significantly restored to previous levels. This provided the district with funds to provide for significant staff salary increases which were a priority for the School Board coming out of the major cuts and salary freezes of 2020-2021. Enrollment increases were modest and did not meet expectations but this is the case in the El Paso County area and Colorado in general.

The state economic forecasts show additional funding is possible for the 2022-2023 fiscal year as the state is projecting coming out of the effects of the COVID-19 Pandemic. With TABOR refunds projected for the next few year, funding is likely to be good but not great. It is still too early in the process to know what the impact will be for WSD3. The School Board and district's management team will need to plan for the loss of the federal relief funding and how that will impact the General Fund budget moving forward.

Growth on the eastern side of Widefield School District 3 is continuing to be monitored. More and more developers are submitting plans to El Paso County and the City of Fountain that will have long ranging impact on the district. There are at a minimum of 15 plans submitted and are in various stages from building (Aspen Trails and the south end of Lorson Ranch) to 50 year plans (Norwood). Water and sewer lines will determine the speed of the growth. Projections from demographers would suggest that in 20 years, there will be more students on the eastern part of the district than the original Security/Widefield area.

The impact of the commercial growth in the district around the airport will have a positive impact on the district as a whole. The Amazon facility alone will add \$77 million in assessed valuation (AV) to the school district. The total increase in AV for the 21-22 school year will be in excess of \$165 million. This will have a direct impact on the Widefield Parks and Recreation department and allow them the funding stream to pay for the debt associated with building a new facility. The largest impact for the school district is the economic impact of those working at these commercial facilities living in Widefield and their students attending our schools. This will also have a positive effect for taxpayers as their number of mills required for bonds will decrease as the commercial properties pick up a larger portion of funding the bonds.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
CONDENSED STATEMENT OF NET POSITION
For June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Current & other assets	\$ 85,086,283	\$ 74,901,090
Capital assets	83,742,274	80,991,334
Total assets	<u>168,828,557</u>	<u>155,892,424</u>
Deferred outflows of resources	<u>56,164,462</u>	<u>34,866,333</u>
Other liabilities	7,926,316	12,363,970
Long-term liabilities outstanding	246,723,833	217,490,597
Total liabilities	<u>254,650,149</u>	<u>229,854,567</u>
Deferred inflows of resources	<u>70,497,162</u>	<u>98,989,629</u>
Net position		
Net investment in capital assets	23,942,251	20,044,350
Restricted	8,458,627	22,985,410
Unrestricted	(132,555,170)	(181,115,199)
Total net position	<u>\$ (100,154,292)</u>	<u>\$ (138,085,439)</u>

Condensed Statement of Changes in Net Position
For June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Revenues		
Program revenues		
Charges for services	\$ 1,688,764	\$ 2,809,254
Operating grants & contributions	18,151,976	11,814,554
Capital grants and contributions	298,256	247,075
General revenues		
Property and specific ownership taxes	27,091,876	26,219,329
State equalization	59,796,797	64,857,115
Other	4,267,961	8,657,173
Total revenues	<u>111,295,630</u>	<u>114,604,500</u>
Expenses		
Instruction	35,761,977	42,806,811
Supporting services	28,549,131	36,090,918
Community services & miscellaneous	1,331,116	1,410,345
Food Services	2,766,735	2,961,392
Facilities acquisition & construction	2,294,845	4,468,433
Interest and fiscal charges	2,660,679	2,443,744
Total expenses	<u>73,364,483</u>	<u>90,181,643</u>
Change in net position	<u>37,931,147</u>	<u>24,422,857</u>
Beginning net position as restated	<u>(138,085,439)</u>	<u>(162,508,296)</u>
Ending net position	<u>\$ (100,154,292)</u>	<u>\$ (138,085,439)</u>

Financial Analysis of the District's Funds

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

General Fund

The General Fund is the major operating fund of the district, providing the majority of the resources for the educational and support programs. Revenues for the General Fund totaled \$87,605,859 in fiscal year 2020-2021 compared to \$92,614,528 in fiscal year 2019-2020, a decrease of 5.41%. The following table reflects the amount of revenue from various sources. The majority of decrease was due to a decrease in Per Pupil Revenue from the School Finance Act and enrollment decreases due to the COVID-19 Pandemic.

<u>Revenues</u>	<u>FY 2020-2021</u>	<u>FY2019-2020</u>	<u>Amount of Change</u>	<u>Percentage of Change</u>
Property taxes	\$ 18,405,972	\$ 17,887,149	\$ 518,823	2.90 %
Specific ownership taxes	2,629,206	2,439,971	189,235	7.76
State of Colorado				
Equalization	59,071,617	63,990,481	(4,918,864)	(7.69)
Other state sources	4,603,799	5,421,342	(817,543)	(15.08)
Federal	1,894,301	1,357,855	536,446	39.51
Other sources	1,000,964	1,517,730	(516,766)	(34.05)
Totals	<u>\$ 87,605,859</u>	<u>\$ 92,614,528</u>	<u>\$ -5,008,669</u>	<u>-5.41</u>

Property Taxes. The 2021 General Fund property tax revenues were based upon a levy of 39.861 mills applied against an assessed valuation of \$462,105,880, while 2020 General Fund property tax revenues were based upon a levy of 40.058 mills applied against an assessed valuation of \$452,381,420.

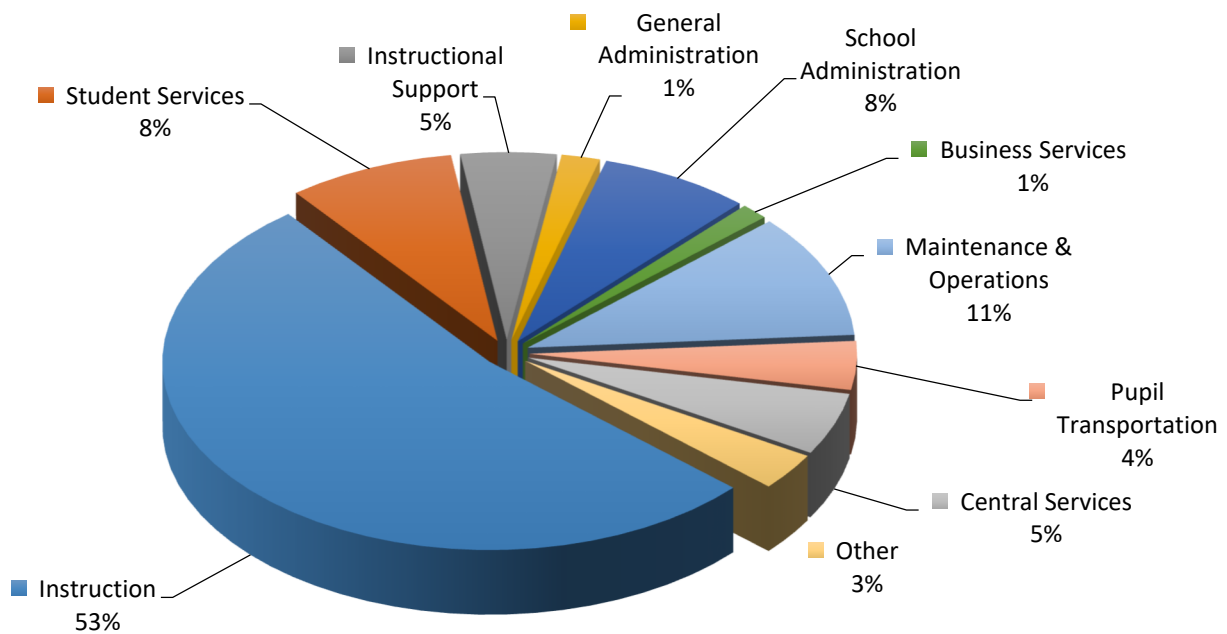
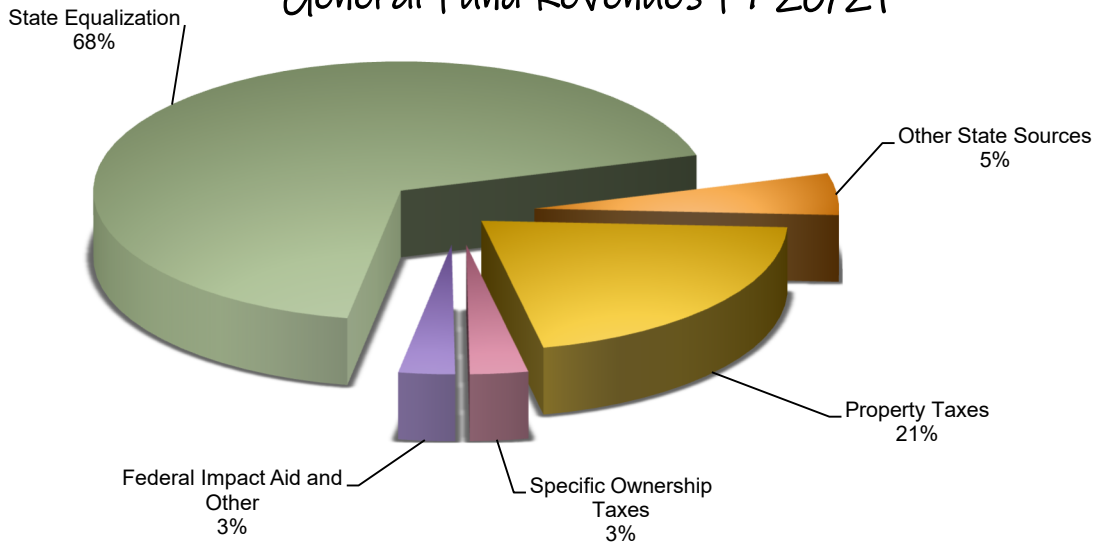
Specific Ownership Taxes. Specific ownership tax is applied to the fair value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their vehicle registrations each year. There was a significant increase in specific ownership tax collections of approximately 7.76% percent for fiscal year 2020-2021.

State Equalization. State equalization revenue decreased by 7.69% in fiscal year 2020-2021. State equalization revenue is the primary source of revenue for the General Fund, and it provided 67.4% of total General Fund revenue. Payments are received monthly at generally 1/12th of the annual state estimated revenue. In comparison, local property taxpayers provided approximately 21.0% toward funding public education in the district based on the regular mill levy.

Other State Sources. Other state sources consist of state vocational revenue, state special education revenue, and other miscellaneous state revenues received. These revenues decreased by \$817,543. This was caused when the legislature failed to appropriate the PERA state direct contribution due to the COVID-19 Pandemic. This amount was \$1.43 million in FY 2020. It is scheduled to resume in 2022-2023.

Federal Sources. Federal sources of revenue consist of grant funds received from Federal Impact Aid, in lieu of property tax revenues. The Federal Impact Aid revenues fluctuate from year to year based on the number of District students whose parents are associated by residence or employment to federally owned land.

El Paso County School District 3 General Fund Revenues FY 20/21



El Paso County School District 3 General Fund Expenditures FY 20/21

Other Sources. Other sources of revenues consist of investment income, tuition and miscellaneous revenue sources. These amounts vary from year to year based on investment returns, number of students enrolled in tuition paying programs, and receipt of miscellaneous revenue.

Expenditures

Fiscal year 2020-2021 expenditures in the General Fund, including the accrual for teacher salaries and benefits, totaled \$87,168,873 compared to \$93,610,080, in fiscal year 2019-2020. This represents a decrease of 6.88% from fiscal year 2019-2020. The following table compares expenditures for fiscal years 2020-2021 and 2019-2020 using the GAAP basis of accounting.

<u>Expenditures</u>	<u>FY 2020-2021</u>	<u>FY 2019-2020</u>	<u>Amount of Change</u>	<u>Percentage of Change</u>
Instruction	\$ 46,001,361	\$ 48,758,813	\$ (2,757,452)	(5.66) %
Supporting services				
Student services	7,225,056	6,487,009	738,047	11.38
Instructional support	4,122,280	4,593,709	(471,429)	(10.26)
General administration	1,664,523	1,129,465	535,058	47.37
School administration	6,533,766	6,592,446	(58,680)	(0.89)
Business services	1,195,157	1,316,478	(121,321)	(9.22)
Maintenance & operations	9,302,192	9,635,307	(333,115)	(3.46)
Student transportation	3,654,086	3,972,239	(318,153)	(8.01)
Central services	4,670,117	4,454,995	215,122	4.83
Other support services	468,358	385,571	82,787	21.47
Facilities acquisition and Construction	2,194,352	6,148,720	(3,954,368)	(64.31)
Debt Service	137,625	135,328	2,297	1.70
Totals	\$ <u>87,168,873</u>	\$ <u>93,610,080</u>	\$ <u>-6,441,207</u>	<u>(6.88) %</u>

Instruction. Instruction expenditures for fiscal year 2020-2021 were \$46,001,361, 5.66% lower than fiscal year 2019-2020.

Supporting Services. Combined supporting services expenditures for fiscal year 2020-2021 increased slightly from \$38,567,219 to \$38,835,535 resulting in approximately a .7% increase from fiscal year 2019-2020.

Bond Redemption Fund

The Debt Service Fund is used to account for the requirements of the district’s general obligation bonds, and is also a major fund for fiscal year 2020-2021. The primary revenue source for the Bond Redemption Fund is a voter approved floating mill levy (9.615 mills for fiscal year 2020-2021, which generated \$4.47 million to satisfy principal and interest requirements on the district’s general obligation debt). The decrease of \$472,935 in fund balance for the current fiscal year is the result of the accumulations of funds to pay principal and interest payments in future years. The district’s bonded debt limit is set by Colorado statute at 20% of assessed property valuation. The district’s total bonded debt at June 30, 2021 is \$48,290,000 compared to \$49,685,000 at June 30, 2020. In March of 2021, the district refinanced a portion of the 2018 series bonds for a net savings of \$2.3 million to tax payers over the remaining life of the bonds.

Other Governmental Funds

Summary information for other governmental funds of Widefield School District 3 are listed below for fiscal year 2020-2021

Other Funds			Net Change in
<u>Governmental Funds</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
Designated-Purpose Grants	\$ 9,733,328	\$ 9,733,328	\$ -
Pupil Activity	739,937	758,928	(18,991)
Food Service	2,571,992	2,701,078	(129,086)
Conservation Trust	299,981	990,272	(690,291)
Capital Projects	1,875,801	1,854,931	20,870
Totals	<u>15,221,039</u>	<u>16,038,537</u>	<u>(817,498)</u>

The Designated-Purpose Grants Fund is used for grants awarded to the district for a specific purpose. The 2020-2021 revenues of \$9,733,328 match expenditures for the year, compared to \$4,962,798 for fiscal year 2019-2020.

The Pupil Activity Fund accounts for school sponsored pupil intra-scholastic and inter-scholastic athletic and related events. Revenues from pupil and other fund-raising activities fund the annual Pupil Activity Fund expenditures. Due to accounting practice changes, these funds were moved from the Fiduciary Fund type to a Special Revenue fund type.

The Food Service Fund is used to account for all financial activities associated with the district meal programs. Food Service Fund revenues come primarily from charges to users throughout the district and reimbursement for meal expenses under the Federal Child Nutrition Act. Fiscal year 2019-2020 revenues totaled \$2,571,992 (\$2,809,736 for the previous fiscal year) with federal government lunch reimbursements totaling \$2,504,901 (\$2,092,289 for fiscal year 2019-2020). Through the Pandemic, all students receive free lunch regardless of status.

The Conservation Trust Fund is used for improving the Widefield Parks and Recreation's parks and recreation areas. Revenue is received from the state lottery. A major playground on the Parks and Recreation site was installed in 2020-2021.

The Capital Projects Fund is used for various District remodels and construction projects. Total revenues for the Capital Projects Fund amounted to approximately \$1.875 million for 2020-2021 compared to \$3.29 million in 2019-2020.

General Fund Budgetary Highlights

The original fiscal year 2020-2021 budget adopted by the Board of Education for the District as a whole totaled \$122.2 million, including General Fund appropriations of \$87.2 million.

The original fiscal year 2020-2021 adopted budget was modified to reflect changes in funding for a final district-wide budget of \$124.5 million. The General Fund budget decreased to \$86.9 million in appropriations. Fiscal year 2020-2021 budgeted state equalization revenues for the General Fund totaled \$58.9 million. The General Fund received \$59.8 million in state equalization revenues and transferred approximately \$3.83 million to other funds, including the charter school.

The General Fund's increase in fund balance for 2020-2021 was due mainly from the impact of the Federal COVID-19 stimulus funds. Cost savings throughout the budget due to the pandemic were realized as well as some increased revenues over budget estimates.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for the primary government, as of June 30, 2020 totaled \$83,742,274 (net of accumulated depreciation of \$42,928,526) compared to \$80,991,334 for fiscal year 2019-2020. This investment in capital assets includes land, buildings, improvements, machinery, equipment, and construction in progress.

Government-Wide Capital Assets	2020-2021	2019-2020
Land & improvements	\$ 1,620,278	\$ 1,620,278
Buildings & improvements	106,682,055	102,490,603
Equipment	15,512,656	14,999,575
Construction in progress	2,855,811	1,098,660
Less accumulated depreciation	<u>(42,928,526)</u>	<u>(39,217,782)</u>
Total	<u>\$ 83,742,274</u>	<u>\$ 80,991,334</u>

Long-term debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$76,461,005 including \$2,776,706 due within the next twelve months. For comparison, at the end of the previous fiscal year, the district had total long-term debt outstanding of \$61,244,506 including \$3,242,522 due within the next twelve months. During the year, the district refinanced approximately \$13 million of the 2018 bonds used to build Grand Mountain K-8 for a saving of \$2.2 million for taxpayers over the remaining life of the bonds. Widefield Parks and Recreation issued Certificates of Participation notes (COP) for nearly \$14 million in order to construct a new recreation facility on their current campus. These funds will be paid out of current operations of the Parks and Recreation fund and will not be paid for by a special levy of taxes to the taxpayers of Widefield School District 3.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Business and Finance
Widefield School District 3
1820 Main Street
Colorado Springs, CO 80911

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements include the Government-wide Financial Statements and the Fund Financial Statements.

Government-wide Financial Statements

The Government-wide Financial Statements provide a financial overview of the District's operations as a whole rather than for individual funds. The financial statements present the net position at the end of the report date and the results of operations and changes in net position for the year then ended. All District resources, both capital and financial, current and long-term are reported in the Government-wide Financial Statements.

Fund Financial Statements

The Fund Financial Statements provide a more detailed report of major funds of the District with emphasis on control of resources, short-term measurement of revenues and expenditures, and assessment of compliance with finance-related laws, rules, and regulations. Fund Financial Statements are presented for:

Governmental Funds

Component Units

The District has one charter school operating as a separate legal entity and presented as a discrete component unit in the Basic Financial Statements. The charter entity is James Madison Charter Academy.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government Governmental Activities	Component Unit Charter School
ASSETS		
Cash and investments	\$ 63,748,752	\$ 6,656
Restricted cash and investments	15,288,237	250,568
Cash with county treasurer	287,511	-
Receivables	5,317,887	1,723
Receivable from component unit	-	3,496
Inventories and prepaid items	403,267	-
Deposits	40,629	-
Capital assets, not being depreciated	4,476,089	-
Capital assets being depreciated, net	79,266,185	1,252,557
Total assets	<u>168,828,557</u>	<u>1,515,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	876,802	-
Deferred pension outflows	54,289,560	257,884
Deferred OPEB outflows	998,100	2,787
Total deferred outflows of resources	<u>56,164,462</u>	<u>260,671</u>
LIABILITIES		
Accounts payable and other current liabilities	2,473,251	5,657
Accrued salaries and benefits	5,064,957	14,631
Payable to component unit	3,496	-
Unearned revenue	181,452	-
Accrued interest payable	203,160	19,875
Long-term liabilities:		
Due within one year	2,776,706	50,000
Due in more than one year	73,684,299	1,518,662
Net pension liability	164,292,015	1,414,178
Net OPEB liability	5,970,813	51,475
Total liabilities	<u>254,650,149</u>	<u>3,074,478</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	68,275,921	789,772
Deferred OPEB inflows	2,221,241	34,823
Total deferred inflows of resources	<u>70,497,162</u>	<u>824,595</u>
NET POSITION		
Net investment in capital assets	23,942,251	(412,823)
Restricted for:		
Emergency reserve (TABOR)	2,850,000	27,400
Debt service	5,007,877	230,692
Multi-year obligations	600,750	-
Unrestricted	<u>(132,555,170)</u>	<u>(1,968,671)</u>
Total net position	<u>\$ (100,154,292)</u>	<u>\$ (2,123,402)</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Component Unit</u>
Primary government						
Governmental activities						
Instruction	\$ 35,761,977	\$ 1,490,195	\$ 15,687,768	\$ -	\$ (18,584,014)	\$ -
Supporting services	28,549,131	159,411	1,186,545	-	(27,203,175)	-
Food service operations	2,766,735	39,158	499,803	-	(2,227,774)	-
Community services	1,331,116	-	-	298,256	(1,032,860)	-
Facilities acquisition	2,294,845	-	777,860	-	(1,516,985)	-
Interest and other fiscal charges	2,660,679	-	-	-	(2,660,679)	-
Total primary government	<u>\$ 73,364,483</u>	<u>\$ 1,688,764</u>	<u>\$ 18,151,976</u>	<u>\$ 298,256</u>	<u>(53,225,487)</u>	
Component unit						
Charter school	<u>\$ 470,051</u>	<u>\$ -</u>	<u>\$ 43,290</u>	<u>\$ 28,441</u>		<u>(398,320)</u>
General revenues:						
Property taxes					24,212,173	87,027
Specific ownership taxes					2,879,703	-
State equalization					59,796,797	-
Per pupil revenue					-	725,181
Grants and contributions not restricted to specific programs					1,891,291	-
Unrestricted investment earnings					206,434	27
Gain on involuntary conversion					2,146,442	-
Miscellaneous					23,794	55,973
Total general revenues					<u>91,156,634</u>	<u>868,208</u>
Change in net position					37,931,147	469,888
Net position - beginning, (deficit)					<u>(138,085,439)</u>	<u>(2,593,290)</u>
Net position - ending (deficit)					<u>\$ (100,154,292)</u>	<u>\$ (2,123,402)</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Governmental Designated- Purpose Grants Fund	Widefield Parks And Recreation Fund	Bond Redemption Fund	Building Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 29,831,955	\$ -	\$ 24,317,639	\$ 11,149	\$ -	\$ 9,588,009	\$ 63,748,752
Restricted cash and investments	-	-	-	3,370,864	11,917,373	-	15,288,237
Cash with county treasurer	211,465	-	25,013	51,033	-	-	287,511
Receivables	1,413,742	1,612,792	46,769	1,458,310	258,983	527,291	5,317,887
Due from component units	62,167	-	-	-	-	2,016	64,183
Due from internal balances	3,208,706	-	3,580	155,642	-	596,603	3,964,531
Inventories and prepaid items	294,560	-	-	-	-	108,707	403,267
Other assets	40,629	-	-	-	-	-	40,629
Total assets	<u>\$ 35,063,224</u>	<u>\$ 1,612,792</u>	<u>\$ 24,393,001</u>	<u>\$ 5,046,998</u>	<u>\$ 12,176,356</u>	<u>\$ 10,822,626</u>	<u>\$ 89,114,997</u>
LIABILITIES							
Accounts payable and other current liabilities	\$ 1,472,232	\$ 28,888	\$ 68,142	\$ -	\$ 272,689	\$ 631,300	\$ 2,473,251
Due to interfunds	1,438,562	1,156,028	507,196	-	366,745	496,000	3,964,531
Due to charter school	-	67,679	-	-	-	-	67,679
Accrued salaries and benefits	4,601,401	360,197	-	-	-	103,359	5,064,957
Accrued compensated absences	354,675	-	-	-	-	2,031	356,706
Unearned revenue	181,452	-	-	-	-	-	181,452
Total liabilities	<u>8,048,322</u>	<u>1,612,792</u>	<u>575,338</u>	<u>-</u>	<u>639,434</u>	<u>1,232,690</u>	<u>12,108,576</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-property taxes	162,272	-	19,166	39,121	-	-	220,559
FUND BALANCES							
Nonspendable for:							
Inventories and prepaid expenses	294,560	-	-	-	-	108,707	403,267
Restricted for:							
Emergency reserve (TABOR)	2,850,000	-	-	-	-	-	2,850,000
Debt service	-	-	-	5,007,877	-	-	5,007,877
Capital projects	-	-	-	-	11,536,922	-	11,536,922
Multi-year obligations	600,750	-	-	-	-	-	600,750
Committed for:							
Food service operations	-	-	-	-	-	855,806	855,806
Pupil Activities	-	-	-	-	-	1,501,449	1,501,449
Community Activities	-	-	23,798,497	-	-	-	23,798,497
Capital projects	-	-	-	-	-	517,166	517,166
Assigned for:							
Risk management	985,221	-	-	-	-	-	985,221
Capital projects	-	-	-	-	-	6,606,808	6,606,808
Print Shop	201,591	-	-	-	-	-	201,591
Supplies Carryover	156,967	-	-	-	-	-	156,967
Unassigned	21,763,541	-	-	-	-	-	21,763,541
Total fund balances	<u>26,852,630</u>	<u>-</u>	<u>23,798,497</u>	<u>5,007,877</u>	<u>11,536,922</u>	<u>9,589,936</u>	<u>76,785,862</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 35,063,224</u>	<u>\$ 1,612,792</u>	<u>\$ 24,393,001</u>	<u>\$ 5,046,998</u>	<u>\$ 12,176,356</u>	<u>\$ 10,822,626</u>	<u>\$ 89,114,997</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021

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

Total fund balance - governmental funds	\$	76,785,862
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, not being depreciated	\$	4,476,089
Capital assets, net of depreciation	<u>79,266,185</u>	83,742,274
Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds.		
		220,559
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Deferred charges on refunding	\$	876,802
Net pension liabilities	(164,292,015)	
Pension outflows	54,289,560	
Pension inflows	(68,275,921)	
Net OPEB liabilities	(5,970,813)	
OPEB outflows	998,100	
OPEB inflows	(2,221,241)	
Accrued interest	(203,160)	
Compensated absences	(3,464,906)	
Unamortized bond premium	(9,149,393)	
Capital leases	(630,000)	
General obligation debt payable	<u>(62,860,000)</u>	<u>(260,902,987)</u>
Net position of governmental activities in the statement of net position	\$	<u><u>(100,154,292)</u></u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Governmental Designated- Purpose Grants Fund</u>	<u>Widefield Parks And Recreation Fund</u>	<u>Bond Redemption Fund</u>	<u>Building Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Local sources	\$ 22,036,142	\$ -	\$ 2,869,272	\$ 4,466,824	\$ 21,074	\$ 1,263,098	\$ 30,656,410
State sources	63,675,416	-	-	-	635,090	169,712	64,480,218
Federal sources	1,894,301	9,733,328	-	-	-	2,504,901	14,132,530
	<u>87,605,859</u>	<u>9,733,328</u>	<u>2,869,272</u>	<u>4,466,824</u>	<u>656,164</u>	<u>3,937,711</u>	<u>109,269,158</u>
EXPENDITURES							
Instruction	46,001,361	7,480,999	-	-	20,234	616,477	54,119,071
Supporting services	38,835,535	2,235,807	735,527	-	189,553	178,857	42,175,279
Food service operations	-	834	-	-	-	2,701,078	2,701,912
Community services	-	15,688	1,315,381	-	-	47	1,331,116
Facilities acquisition and construction	2,194,352	-	236,220	-	3,134,760	2,808,750	8,374,082
Debt service	137,625	-	285,528	5,144,392	-	-	5,567,545
	<u>87,168,873</u>	<u>9,733,328</u>	<u>2,572,656</u>	<u>5,144,392</u>	<u>3,344,547</u>	<u>6,305,209</u>	<u>114,269,005</u>
Excess (deficiency) of revenues over expenditures	<u>436,986</u>	<u>-</u>	<u>296,616</u>	<u>(677,568)</u>	<u>(2,688,383)</u>	<u>(2,367,498)</u>	<u>(4,999,847)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,545,000	-	-	-	-	1,550,000	3,095,000
Transfers out	(3,050,000)	-	(45,000)	-	-	-	(3,095,000)
Proceeds from the sale of bonds	-	-	-	13,945,000	-	-	13,945,000
Premium (discount) on debt issued	-	-	2,758,834	-	-	-	2,758,834
Other long-term debt proceeds	-	-	14,570,000	-	-	-	14,570,000
Payments to escrow agents	-	-	-	(13,740,367)	-	-	(13,740,367)
Insurance recoveries	2,147,083	-	-	-	-	-	2,147,083
	<u>642,083</u>	<u>-</u>	<u>17,283,834</u>	<u>204,633</u>	<u>-</u>	<u>1,550,000</u>	<u>19,680,550</u>
Net change in fund balances	1,079,069	-	17,580,450	(472,935)	(2,688,383)	(817,498)	14,680,703
Fund balances - beginning	25,773,561	-	6,218,047	5,480,812	14,225,305	10,407,434	62,105,159
Fund balances - ending	<u>\$ 26,852,630</u>	<u>\$ -</u>	<u>\$ 23,798,497</u>	<u>\$ 5,007,877</u>	<u>\$ 11,536,922</u>	<u>\$ 9,589,936</u>	<u>\$ 76,785,862</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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

Net change in fund balances - total governmental funds:		\$ 14,680,703
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital outlays	\$ 6,516,229	
Depreciation	<u>(3,761,728)</u>	2,754,501
<p>In the statement of activities, the disposition of capital assets generates a gain or loss and is reported as such. The gain or loss on disposition is not a current financial resource or use and, thus, is not reported in the funds.</p>		
		(3,561)
<p>Governmental funds do not present property tax revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p>		
		(117,049)
<p>Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid.</p>		
		(38,142)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Repayment of principal	\$ 2,945,000	
Payment to refunded bond escrow agent	13,740,366	
Proceeds from long term debt	(28,515,000)	
Premiums on refunding	<u>(2,758,825)</u>	(14,588,459)
<p>Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year.</p>		
		330,275
<p>Certain pension and OPEB expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Pension expenses	\$ 34,557,544	
OPEB expenses	<u>355,335</u>	<u>34,912,879</u>
Change in net position of governmental activities		<u>\$ 37,931,147</u>

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

NOTES TO FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of El Paso County School District No. 3, Colorado Springs, Colorado (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Currently, the District has no business-type activities. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. REPORTING ENTITY

El Paso County School District No. 3 was organized in 1874. The District provides education services to the residents in the southeast section of El Paso County. It is governed by a five member Board of Education, which is the policy-making body of the District. The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government and discretely presented component unit. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

The District Board of Education approved one charter school to continue operations during fiscal year 2020-2021. James Madison Charter Academy (JMCA) was formed in accordance with state statutes for operation as a District charter school. This District component unit was deemed to be fiscally dependent upon the District since the District provided the majority of support to it in the form of per pupil revenue. The amount of state equalization allotted to James Madison Charter Academy for the year ended June 30, 2021 was \$725,181.

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

The Security Public Library provides services to students and the general public within the boundaries of the District. The District's Board of Education approves the selection of the Library Board of Directors. The entity is being excluded from the District's financial statements based upon the criteria listed in the preceding paragraph.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, and fiduciary – are presented. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements.

The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

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

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

The *Widefield Parks and Recreation Fund* is used to account for all financial activities of Widefield Parks and Recreation. This fund receives tax revenues for park and recreation activities.

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

The *Building Fund* accounts for all resources available for acquiring capital sites, buildings, and equipment.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the District reports the following fund types:

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

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

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

The *Conservation Trust Fund* is used for improving the park and recreation areas. Funds are received from the Colorado Lottery.

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

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

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

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for grants which have a 120 day availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as other financing sources, and acquisitions of capital leased assets are reported as other financing uses.

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

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

Cash and cash equivalents

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

Investments

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

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

Receivables

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Inventories and prepaid items

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

Inventories purchased by the Food Service Fund are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt.

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

Restricted Cash and Investments

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

Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization level for equipment is \$5,000 in all funds to maintain a balance between accountability of assets and managing the cost of recording and tracking these assets. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for buildings and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable. Buildings, improvements and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings & Improvements	10-100
Furniture & Equipment	5-15
Vehicles	8

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Pensions

El Paso County School District No. 3 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Health Care Trust Fund

El Paso County School District No. 3 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of resources

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-term Obligations

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

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

Net position flow assumption

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

Fund balance flow assumption

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

Fund balance classification

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund balance classification (continued)

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

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

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

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

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

G. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

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

Compensated Absences and Severance Incentive Benefit Amounts

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. ESTIMATES

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Colorado statutes require that boards of education of school districts adopt a budget and appropriation resolution each fiscal year. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements. By state law, budgets are required for all funds, except fiduciary funds. Annual appropriated budgets are adopted for all funds. At least thirty days prior to July 1, the Superintendent submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and means of financing them.

Public hearings are conducted by the Board of Education to obtain taxpayer comments. On or before June 30, the budget is adopted by formal resolution. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budget amounts between functions within any fund and the reallocation of budget line items within any department in the General Fund rests with the Superintendent of Schools or department directors. Revisions that alter the total expenditures of any fund must be approved by the Board of Education. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Education throughout the year.

Budgets for all fund types are adopted on a basis consistent with generally accepted accounting principles. GAAP-basis accounting requires that expenditures of salaries and related benefits be recorded in the fiscal year *earned*. Thus, school districts budget for all accrued salaries and related benefits earned but unpaid at June 30.

Appropriations in governmental funds are encumbered upon issuance of purchase orders, contracts or other forms of legal commitments. All original and supplemental unencumbered appropriations for all funds lapse at the end of the fiscal year. No encumbrances are recorded as committed or assigned fund balance in the General Fund as of June 30, 2021. Encumbrances do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

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

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

Deposits	\$ 484,549
Investments	<u>78,552,440</u>
Total	<u>\$ 79,036,989</u>

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

Cash and investments	\$ 63,748,752
Restricted cash and investments	<u>15,288,237</u>
Total	<u>\$ 79,036,989</u>

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

The carrying amount of the District's deposits at June 30, 2021 was \$484,549 and the bank balances were \$1,720,019. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$1,470,019 was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in trust for all uninsured deposits as a group.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3: DEPOSITS AND INVESTMENTS

Investments

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

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

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

<u>Investments</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
ColoTrust	Less than 1 year	\$ 68,416,263	AAAm
Money markets	Less than 1 year	38,463	AAA
Repurchase agreement	Less than 1 year	1,221,000	AAA
Supernational	1.90 years	249,175	AAA
US Corporate	1.90 years	252,949	AAA
US Treasuries	1.90 years	5,331,681	AA+
US Agencies	1.90 years	<u>3,042,909</u>	AA+
	Total Investments	<u>\$ 78,552,440</u>	

Portfolio weighted average maturity 0.22

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

Credit Risk – State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more of a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices. ColoTrust net assets were over \$9 billion on December 31, 2020. The entity maintains a constant net asset value of \$1 per share. Financial statements for ColoTrust may be obtained from the www.ColoTrust.com website.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk – The district places no limit on the amount the district may invest in any one issuer. More than 5% of the district’s investments are in ColoTrust, and US Treasuries. These investments are 87% and 7% respectively, of the district’s total investments.

NOTE 4 – FAIR VALUE MEASUREMENT

The District records assets and liabilities in accordance with GASB 72, which establishes general principles for measuring fair value, provides additional fair value application guidance and enhances disclosures about fair value measurements.

GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. As a basis for considering market participant assumptions in fair value measurements, GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

- Level 1 inputs reflect prices quoted in active markets.
- Level 2 inputs reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 inputs reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk.

Investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
ColoTrust	\$ 68,416,263	\$ -	\$ -	\$ 68,416,263
Money markets	38,463	-	-	38,463
Repurchase agreement	-	1,221,000	-	1,221,000
Supernational	-	249,175	-	249,175
US Corporate	-	252,949	-	252,949
US Treasuries	-	5,331,681	-	5,331,681
US Agencies	-	<u>3,042,909</u>	-	<u>3,042,909</u>
Total Investments	<u>\$ 68,454,726</u>	<u>\$ 10,097,714</u>	<u>\$ -</u>	<u>\$ 78,552,440</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: TAXES

Property Taxes

Property taxes for the current year are certified in arrears to the County by December 15 and attach as an enforceable lien on property the following January 1. Property taxes are payable in full by April 30 or are payable in two equal installments due February 28 and June 15. The County Treasurer bills and collects the District's property tax. District property tax revenues are recognized when levied to the extent they result in current receivables.

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The tax rate for the year ended December 31, 2021 is 39.861 mills for general operating expenses, including a 17.789 mill levy override, 4.715 mills for the Widefield Parks and Recreation, and 9.615 mills for the payment of long-term debt. The District's assessed valuation for the collection year 2021 is \$462,359,960.

Specific Ownership Taxes

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

NOTE 6 –RECEIVABLES

Receivables as of June 30, 2021 for the government's individual major funds, non-major governmental funds in the aggregate, and internal service funds in the aggregate, are as follows:

	<u>General Fund</u>	<u>Designated Purpose Grants Fund</u>	<u>Widefield Parks and Recreation Fund</u>	<u>Bond Redemption Fund</u>	<u>Building Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Taxes	\$ 395,630	\$ -	\$ 46,769	\$ 95,409	\$ -	\$ -	\$ 537,808
Grants	755,330	1,612,792	-	-	258,983	527,291	3,154,396
Other	<u>262,782</u>	<u>-</u>	<u>-</u>	<u>1,362,901</u>	<u>-</u>	<u>-</u>	<u>1,625,683</u>
Total	<u>\$ 1,413,742</u>	<u>\$1,612,792</u>	<u>\$ 46,769</u>	<u>\$1,458,310</u>	<u>\$ 258,983</u>	<u>\$ 527,291</u>	<u>\$5,317,887</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and Payables

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

The composition of interfund balances at June 30, 2021 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 3,208,706	\$ 1,438,562
Designated-Purpose Grants Fund	-	1,156,028
Widefield Parks and Recreation Fund	3,580	507,196
Bond Redemption Fund	155,642	-
Building Fund	-	366,745
Nonmajor Funds	<u>596,603</u>	<u>496,000</u>
Total	<u>\$ 3,964,531</u>	<u>\$ 3,964,531</u>

Interfund transfers

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

Interfund transfer activity for the year ended June 30, 2021 is as follows:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
General Fund	\$ 1,545,000	\$ 3,050,000
Widefield Parks and Recreation Fund	-	45,000
Nonmajor Funds	<u>1,550,000</u>	<u>-</u>
Total	<u>\$ 3,095,000</u>	<u>\$ 3,095,000</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8: CAPITAL ASSETS

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

	Primary Government			
	Balance 6/30/2020	Additions	Sales and Retirements	
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,620,278	\$ -	\$ -	\$ 1,620,278
Construction in progress	<u>1,098,660</u>	<u>2,990,802</u>	<u>(1,233,651)</u>	<u>2,855,811</u>
Total capital assets, not being depreciated	<u>2,718,938</u>	<u>2,990,802</u>	<u>(1,233,651)</u>	<u>4,476,089</u>
Capital assets, being depreciated:				
Buildings and improvements	102,490,603	4,202,697	(11,245)	106,682,055
Equipment	<u>14,999,575</u>	<u>556,381</u>	<u>(43,300)</u>	<u>15,512,656</u>
Total capital assets, being depreciated	<u>117,490,178</u>	<u>4,759,078</u>	<u>(54,545)</u>	<u>122,194,711</u>
Less accumulated depreciation for:				
Buildings and improvements	(29,039,697)	(2,876,126)	7,684	(31,908,139)
Equipment	<u>(10,178,085)</u>	<u>(885,602)</u>	<u>43,300</u>	<u>(11,020,387)</u>
Total accumulated depreciation	<u>(39,217,782)</u>	<u>(3,761,728)</u>	<u>50,984</u>	<u>(42,928,526)</u>
Total capital assets being depreciated, net	<u>78,272,396</u>	<u>997,350</u>	<u>(3,561)</u>	<u>79,266,185</u>
Governmental activities capital assets, net	<u>\$ 80,991,334</u>	<u>\$ 3,988,152</u>	<u>\$ (1,237,212)</u>	<u>\$ 83,742,274</u>

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

Governmental Activities:	
Instruction	\$ 2,135,705
Support services- students	94,383
Support services- instructional	179,017
General administration	14,363
School administration	44,364
Business services	1,319
Operations and maintenance	824,112
Transportation services	336,891
Central services	66,749
Food service	<u>64,824</u>
Total governmental activities	<u>\$ 3,761,727</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: ACCRUED COMPENSATION / COMPENSATED ABSENCES

Salaries of certain school-based personnel are paid over a ten or twelve-month period beginning in August but are earned during a school year of approximately nine to ten months. The salaries earned, but unpaid, as of June 30, 2021 are:

Governmental Activities:	
General Fund	\$ 4,601,401
Designated-Purpose Grant Fund	360,197
Food Service Fund	<u>103,359</u>
Total Governmental Activities	<u>\$ 5,064,957</u>

The District accrues compensated absences to provide an accurate reporting of liabilities associated with vacation and sick leave. These benefits, earned, but unpaid, and the activity for the year ended June 30, 2021 are:

Governmental Activities:	
General Fund	\$ 354,675
Food Service Fund	<u>2,031</u>
	<u>\$ 356,706</u>

NOTE 10: LONG-TERM LIABILITIES

General Obligation Bonds Payable

General Obligation debt payable at June 30, 2021 is as follows:

<u>Description, Interest Rates and Maturity Dates</u>	<u>Principal Balance</u>
On September 20, 2012, the District issued Series 2012 in the original amount of \$3,990,000. The bonds were issued to refund the District's General Obligation Bonds, Series 2002 maturing on and after December 15, 2013. Series 2012 interest rates to maturity are 2.00 to 3.00%.	\$ 490,000
On January 24, 2018, the District issued Series 2018 in the original amount of \$49,500,000. The bonds were issued to (i) currently refund certain of the District's Certificates of Participation, Series 2013; (ii) finance the acquisition, construction, installation and equipping of the capital projects as approved by the District's voters at an election held on November 7, 2017; and (iii) pay the costs of issuance of the Bonds. Series 2018 interest rate to maturity is 5.00%.	33,855,000
On March 30, 2021, the District issued Series 2021 General Obligation Refunding Bonds in the original amount of \$13,945,000. The bonds were issued to (i) currently refund certain of the District's Certificates of Participation, Series 2018; (ii) finance the acquisition, construction, installation and equipping of the capital projects as approved by the District's voters at an election held on November 7, 2017; and (iii) pay the costs of issuance of the Bonds. Series 2021 interest rate to maturity is 0.200- 2.14%.	<u>13,945,000</u>
Total Outstanding Bonds	<u>\$ 48,290,000</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: LONG-TERM LIABILITIES (CONTINUED)

The following schedule reflects the debt service requirements to maturity of the District's governmental activities general obligation debt as of June 30, 2021:

	General Obligation Debt		
	Principal	Interest	Total
2022	\$ 2,155,000	\$ 1,897,144	\$ 4,052,144
2023	1,455,000	1,827,346	3,282,346
2024	1,520,000	1,762,017	3,282,017
2025	1,590,000	1,693,111	3,283,111
2026	1,660,000	1,620,090	3,280,090
2027-2031	8,920,000	7,594,168	16,514,168
2032-2036	10,605,000	6,380,722	16,985,722
2037-2041	13,835,000	3,433,875	17,268,875
2042-2043	6,550,000	331,498	6,881,498
Total	\$ 48,290,000	\$26,539,971	\$ 74,829,971

Computation of Legal Debt Margin

Assessed valuation	<u>\$462,359,960</u>
Debt Limit – 20 percent of assessed valuation	\$92,471,992
General obligation debt outstanding	<u>(48,290,000)</u>
Legal Debt Margin Available	<u>\$44,181,992</u>

In accordance with Section 22-45-103, C.R.S., the District's bond redemption fund custodian for fiscal year 2021 was Wells Fargo, a third party. The amount held by the custodian was \$3,370,864 for the year ended June 30, 2021.

Advance Refunding

In the current fiscal year, the District issued \$13,945,000 of general obligation bonds with annual interest rates ranging from .2% - 2.14%. The proceeds were used to advance refund \$12,515,000 of outstanding general obligation bonds which had an interest rate of 5%. The net proceeds of \$13,740,367 (after payment of \$204,633 in other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded debt. As a result, a portion of the loans are considered defeased and the liability for those loans has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,016,783. This amount is reported as a deferred outflow of resources and amortized over the remaining life. The advance refunding reduced total debt service payments by \$2,282,433 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,047,274.

The District has also defeased debt in the current year by placing the proceeds of new bonds and the District's own resources into irrevocable trust accounts to provide for all future debt service payments on the old loans. Accordingly, those trust account assets and the liability for the defeased debt are not included in the District's financial statements. At June 30, 2021, \$12,515,000 of defeased debt remain outstanding, which includes debt refunded during the current fiscal year.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: LONG-TERM LIABILITIES (CONTINUED)

Certificates of Participation Payable

On June 28, 2021, the District issued Certificates of Participation, Series 2021 in the original amount of \$14,570,000. The Certificates were issued to fund the Recreation Facility Project. Series 2021 interest rate to maturity is 4.00%.

\$ 14,570,000

The following schedule reflects the debt service requirements to maturity of the District's governmental activities certificates of deposit as of June 30, 2021:

	Governmental Activities		
	Principal	Interest	Total
2022	\$ 145,000	\$ 536,190	\$ 681,190
2023	345,000	570,100	915,100
2024	360,000	556,000	916,000
2025	375,000	541,300	916,300
2026	390,000	526,000	916,000
2027-2031	2,195,000	2,378,700	4,573,700
2032-2036	2,670,000	1,893,200	4,563,200
2037-2041	3,250,000	1,303,000	4,553,000
2042-2046	3,955,000	584,900	4,539,900
2047	885,000	17,700	902,700
Total	\$ 14,570,000	\$ 8,907,090	\$ 23,477,090

Capital Leases

In 2016, the District entered into a lease agreement as lessee in the amount of \$1,175,000 for financing the purchase of a vocational arts facility. The lease is payable in annual payments through 2026 and bearing interest at 2.35%. This agreement qualifies as a capital lease for accounting purposes and; therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments for capital leases as of June 30, 2021, were as follows:

<u>Year Ending June 30</u>	
2022	\$ 134,805
2023	136,985
2024	134,048
2025	136,110
2026	<u>133,055</u>
Total minimum lease payments	675,003
Less: amount representing interest	<u>(45,003)</u>
Present value of minimum lease payments	<u>\$ 630,000</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-Term Liabilities

The changes in governmental activities long-term liabilities for the year ended June 30, 2021, are as follows:

	<u>Balance</u> <u>06/30/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/21</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable					
General obligation bonds	\$ 49,685,000	\$ 13,945,000	\$(15,340,000)	\$ 48,290,000	\$ 2,155,000
Unamortized premiums	<u>6,716,803</u>	<u>-</u>	<u>(326,244)</u>	<u>6,390,559</u>	<u>-</u>
Total bonds payable	<u>56,401,803</u>	<u>13,945,000</u>	<u>(15,666,)</u>	<u>54,680,559</u>	<u>2,155,000</u>
COPs payable					
2021 COP	-	14,570,000	-	14,570,000	145,000
Unamortized premiums	<u>-</u>	<u>2,758,834</u>	<u>-</u>	<u>2,758,834</u>	<u>-</u>
Total COPS payable	<u>-</u>	<u>17,328,834</u>	<u>-</u>	<u>17,328,834</u>	<u>145,000</u>
Capital lease	750,000	-	(120,000)	630,000	120,000
Compensated absences	<u>4,092,703</u>	<u>59,184</u>	<u>(330,275)</u>	<u>3,821,612</u>	<u>356,706</u>
Total long-term liabilities	<u>\$ 61,244,506</u>	<u>\$ 31,338,018</u>	<u>\$(16,116,519)</u>	<u>\$ 76,461,005</u>	<u>\$ 2,776,706</u>

The General Obligation bonds are liquidated in the Bond Redemption Fund. The Certificates of Participation are liquidated in the Widefield Parks and Recreation Fund. The capital lease is liquidated in the General Fund. Compensated absences are liquidated as incurred to the respective funds.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the El Paso County School District No. 3 are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Contributions provisions as of June 30, 2021: Eligible employees of, El Paso County School District No. 3 and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

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

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 3 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from El Paso County School District No. 3 were \$11,520,476 for the year ended June 30, 2021.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The net pension liability for the SCHDTF was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The El Paso County School District No. 3 proportion of the net pension liability was based on El Paso County School District No. 3 contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

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

At June 30, 2021, the El Paso County School District No. 3 reported a liability of \$164,292,015 for its proportionate share of the net pension liability. The amount recognized by the El Paso County School District No. 3 as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with El Paso County School District No. 3 were as follows:

El Paso County School District No. 3 proportionate share of the net pension liability	\$ 164,292,015
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the El Paso County School District No. 3	-
Total	\$ 164,292,015

At December 31, 2020, the El Paso County School District No. 3 proportion was 1.0867323734 percent, which was an increase 0.0898798260 from its proportion measured as of December 31, 2019.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2021, the El Paso County School District No. 3 recognized pension expense of (\$34,557,544). At June 30, 2021, the El Paso County School District No. 3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 9,027,029	\$ -
Changes of assumptions or other inputs	15,804,382	27,616,097
Net difference between projected and actual earnings on pension plan investments	-	36,164,410
Changes in proportion and differences between contributions recognized and proportionate share of contributions	23,782,587	4,495,414
Contributions subsequent to the measurement date	5,675,562	N/A
Total	\$ 54,289,560	\$ 68,275,921

\$5,675,562 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (20,688,561)
2023	11,252,803
2024	(4,521,027)
2025	(5,705,138)
2026	-
Thereafter	-

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Sensitivity of the El Paso County School District No. 3 proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 224,107,765	\$ 164,292,015	\$ 114,445,786

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

Plan description. Eligible employees of the El Paso County School District No. 3 are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

PERA Benefit Structure

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 3 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from El Paso County School District No. 3 were \$591,857 for the year ended June 30, 2021.

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

At June 30, 2021, the El Paso County School District No. 3 reported a liability of \$5,970,813 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The El Paso County School District No. 3 proportion of the net OPEB liability was based on El Paso County School District No. 3 contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the El Paso County School District No. 3 proportion was 0.6283578090 percent, which was a decrease of 0.0227540680 from its proportion measured as of December 31, 2019.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

For the year ended June 30, 2021, the El Paso County School District No. 3 recognized OPEB expense of (\$355,335). At June 30, 2021, the El Paso County School District No. 3 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 15,847	\$ 1,312,671
Changes of assumptions or other inputs	44,613	366,125
Net difference between projected and actual earnings on OPEB plan investments	-	243,972
Changes in proportion and differences between contributions recognized and proportionate share of contributions	646,433	298,473
Contributions subsequent to the measurement date	291,207	N/A
Total	\$ 998,100	\$ 2,221,241

\$291,207 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$ (340,606)
2023	(306,474)
2024	(331,639)
2025	(323,295)
2026	(198,789)
Thereafter	(13,545)

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

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

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

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

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

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of the El Paso County School District No. 3 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$5,816,488	\$5,970,813	\$6,150,467

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

Sensitivity of the El Paso County School District No. 3 proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 6,839,675	\$ 5,970,813	\$ 5,228,440

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

NOTE 13: DEFINED CONTRIBUTION PENSION PLAN

Plan Description. Employees of the District who are members of the SCHDTF (see Note 11) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the 401(k) provisions to the State Legislature. PERA issues a publicly available Annual Report for Colorado PERA’s 401(k) and DC plans. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 1-800-759-PERA (7372).

Funding Policy. The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$19,500 for the calendar years 2020 and 2021, respectively). In addition, catch-up contributions, up to \$6,500 for the calendar years 2020 and 2021, respectively, were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the C.R.S., as amended.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14: JOINT VENTURES

Colorado Educational Benefits Trust (CEBT) is a separate legal entity originally established by twenty-two member school districts pursuant to the provisions of Colorado Revised Statutes and the Colorado Constitution. In 1982, the school board passed a resolution which authorized the District to participate in the agency. The District has participated every year since. Starting in July 2007, the Assistant Superintendent of the District has served as treasurer on the board of directors for CEBT.

The purpose of CEBT is to provide members the benefits of decreased costs in obtaining medical, life, dental and vision coverage for the employees of the member districts. The expense of coverage paid to CEBT is paid annually from the fund in which the employee receives compensation. Contingent liability claims for the coverage have not been recognized to date after reviewing claims history and the remoteness of potential loss in excess of school contributions by the District.

It is the intent of the members of CEBT to operate an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with bylaws, any member of CEBT against stated liability or loss to the limit of the financial resources of CEBT. It is also the intent of the members to have CEBT provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CEBT shall be at all times dedicated to the exclusive benefit of its members. CEBT is a separate legal entity and under Colorado Law is not required to prepare budgets. The District does not have the ability to significantly affect the operations of the unit.

Condensed financial information for the CEBT pool for the year ended June 30, 2020 is as follows:

Assets	\$	70,210,000
Liabilities		32,116,000
Net Position	\$	38,094,000
Revenue	\$	228,563,000
Expenses		217,756,000
Change in Net Position	\$	10,807,000

CEBT issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Trust's administrator, Willis of Colorado, Inc., 2000 S. Colorado Blvd., Tower II, Suite 900, Denver, CO 80222.

NOTE 15: VOC-ED PARTNERSHIP

On July 19, 2016, the District entered in a partnership with Peyton School District No. 23 JT (Peyton) under C.R.S. 29-1-2013(4) to provide vocational education services in their respective service areas through a single shared location under joint management. During the year ended June 30, 2021, the District contributed \$53,695 to the partnership activities in operating and capital contributions and received \$134,250 in miscellaneous revenue from Peyton. As of June 30, 2021, the District had a 70.50% interest in the partnership.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 16: RISK RELATED ACTIVITIES

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined together with other districts to form the Colorado School Districts Self Insurance Pool (the "Pool"), a public entity risk pool currently operating as a common risk management and insurance program for member school districts. Participation in the pool is approved by and managed under regulations promulgated by the Colorado State Insurance Division of Regulatory Agencies. The District pays an annual premium to the pool for its general property and liability insurance coverage. The agreement with the pool proves that the pool will be self-sustaining through member premiums. The District made an initial capital contribution to the pool and, upon termination of the pool, subject to available assets, the capital contributions will be returned to the District.

The District's contribution to the pool mentioned above is funded by premium contributions from the Risk Management Fund. The Fund is also used to cover the purchase of commercial insurance for property, liability and worker's compensation coverage not provided in the pool agreement, and to partially fund salaries and other costs for risk management and loss control. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Condensed financial information for the Pool for the year ended June 30, 2020 is as follows:

Assets	\$ 50,982,972
Liabilities	23,141,059
Capital and Surplus	27,841,913
Total Liabilities, Capital and Surplus	<u>\$ 50,982,972</u>
Revenue	\$ 32,887,243
Expenses	(26,904,016)
Change in nonadmitted assets	48,913
Change in Unassigned Surplus	<u>\$ 5,983,227</u>

NOTE 17: COMMITMENTS AND CONTINGENCIES

Grants

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. District management believes disallowances, if any, will be immaterial.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 17: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction commitments

The District has active construction projects as of June 30, 2021. The projects are primarily financed by the mill levy override and include high school capital improvements, safety improvements, and elementary school upgrades. At year end the district's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining commitment
Mill levy override projects	\$ 901,711	\$ 1,362,059

NOTE 18: TAX, SPENDING, AND DEBT LIMITATIONS

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

The Amendment requires Emergency Reserves to be established. These reserves must be at least 3 percent of Fiscal Year Spending. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. At June 30, 2021, the District's reserve of \$2,850,000 was reported as restricted fund balance in the General Fund.

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

In November 1999 voters within the District passed an amendment allowing the District to retain excess revenues in 1999 and all future years.

On November 7, 2017 voters within the District authorized the District to increase taxes \$3.5 million in 2018 and annually thereafter by an amount that, when combined with other taxes previously approved by District voters in 2002 for the District's General Fund, equals ten percent of the District's total program as provided by state law. Voters authorized the District to increase debt by \$49.5 million, with a repayment cost of up to \$89 million and increase taxes by up to \$3.6 million annually for the purpose of acquiring, constructing, refinancing, repairing and improving District capital assets.

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

NOTE 19 – SUBSEQUENT EVENT

On September 28, 2021 the District purchased land Surrounding their existing Mill property. This purchase had no effect on the financial statements for year ended June, 30 2021.

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	1.0867323734%	0.9968525474%	0.9039493157%	1.0126099514%	1.0297487230%	1.0522824491%	1.0773554077%	1.0801336807%
District's proportionate share of the net pension liability (asset)	\$ 164,292,015	\$ 148,927,607	\$ 160,062,793	\$ 327,442,070	\$ 306,596,015	\$ 160,939,171	\$ 146,017,846	\$ 137,770,759
State's proportionate share of the net pension liability (asset) associated with the District	-	18,889,573	21,886,364	-	-	-	-	-
Total	<u>\$ 164,292,015</u>	<u>\$ 167,817,180</u>	<u>\$ 181,949,158</u>	<u>\$ 327,442,070</u>	<u>\$ 306,596,015</u>	<u>\$ 160,939,171</u>	<u>\$ 146,017,846</u>	<u>\$ 137,770,759</u>
District's covered payroll	\$ 58,119,968	\$ 58,581,344	\$ 49,694,949	\$ 46,710,500	\$ 46,216,967	\$ 45,858,228	\$ 45,133,463	\$ 43,543,628
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	282.68%	254.22%	322.09%	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	67.0%	64.5%	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

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

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

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 11,520,476	\$ 11,736,512	\$ 9,978,241	\$ 8,926,253	\$ 8,496,301	\$ 8,175,266	\$ 7,449,337	\$ 6,663,765
Contributions in relation to the contractually required contribution	<u>(11,520,476)</u>	<u>(11,736,512)</u>	<u>(9,978,241)</u>	<u>(8,926,253)</u>	<u>(8,496,301)</u>	<u>(8,175,266)</u>	<u>(7,449,337)</u>	<u>(6,663,765)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 57,950,080	\$ 60,559,918	\$ 52,160,171	\$ 47,278,885	\$ 46,225,796	\$ 46,109,792	\$ 44,131,142	\$ 41,700,656
Contributions as a percentage of covered payroll	19.88%	19.38%	19.13%	18.88%	18.38%	17.73%	16.88%	15.98%

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

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

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net OPEB liability (asset)	0.6283578090%	0.6511118770%	0.5875603071%	0.5753455746%	0.5853279536%
District's proportionate share of the net OPEB liability (asset)	\$ 5,970,813	\$ 7,318,484	\$ 7,994,005	\$ 7,477,191	\$ 7,588,976
District's covered payroll	\$ 58,119,968	\$ 58,581,344	\$ 49,694,949	\$ 46,710,500	\$ 46,216,967
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	10.27%	12.49%	16.09%	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	24.5%	24.5%	17.0%	17.5%	16.7%

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

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

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 591,857	\$ 617,698	\$ 530,518	\$ 482,250	\$ 471,611
Contributions in relation to the contractually required contribution	<u>(591,857)</u>	<u>(617,698)</u>	<u>(530,518)</u>	<u>(482,250)</u>	<u>(471,611)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 57,950,080	\$ 60,559,918	\$ 52,160,171	\$ 47,278,885	\$ 46,225,796
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%

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

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

See the accompanying independent auditors' report.

GENERAL FUND

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Local sources:				
Property taxes	\$ 17,915,000	\$ 18,210,000	\$ 18,405,972	\$ 195,972
Specific ownership taxes	2,225,000	2,225,000	2,629,206	404,206
Other local sources	1,525,235	1,518,225	1,000,964	(517,261)
Total local sources	<u>21,665,235</u>	<u>21,953,225</u>	<u>22,036,142</u>	<u>82,917</u>
State sources:				
State equalization	56,443,590	61,251,250	59,071,617	(2,179,633)
Special education	2,200,000	2,200,000	2,259,546	59,546
Other state funding	2,000,325	1,930,450	2,344,253	413,803
Total state sources	<u>60,643,915</u>	<u>65,381,700</u>	<u>63,675,416</u>	<u>(1,706,284)</u>
Federal sources	<u>1,275,000</u>	<u>1,275,000</u>	<u>1,894,301</u>	<u>619,301</u>
Total revenues	<u>83,584,150</u>	<u>88,609,925</u>	<u>87,605,859</u>	<u>(1,004,066)</u>
EXPENDITURES				
Instruction	48,689,628	49,592,174	46,001,361	3,590,813
Supporting services:				
Student services	7,903,691	8,048,449	7,225,056	823,393
Instructional staff	4,352,527	4,435,408	4,122,280	313,128
General administration	1,178,857	1,202,318	1,664,523	(462,205)
School administration	6,369,053	6,557,865	6,533,766	24,099
Business services	1,419,054	1,431,459	1,195,157	236,302
Operation and maintenance	9,824,290	9,963,186	9,302,192	660,994
Student transportation	3,748,439	3,807,893	3,654,086	153,807
Central services	6,030,987	6,086,249	4,670,117	1,416,132
Other support services	439,760	383,176	468,358	(85,182)
Facilities acquisition and construction	-	-	2,194,352	(2,194,352)
Debt service	137,625	137,625	137,625	-
Contingency reserves	14,852,713	18,326,597	-	18,326,597
Total expenditures	<u>104,946,624</u>	<u>109,972,399</u>	<u>87,168,873</u>	<u>22,803,526</u>
Excess (deficiency) of revenues over expenditures	<u>(21,362,474)</u>	<u>(21,362,474)</u>	<u>436,986</u>	<u>21,799,460</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,545,000	1,545,000	1,545,000	-
Transfers out	(3,050,000)	(3,050,000)	(3,050,000)	-
Insurance recoveries	1,000,000	1,000,000	2,147,083	1,147,083
Total other financing sources (uses)	<u>(505,000)</u>	<u>(505,000)</u>	<u>642,083</u>	<u>1,147,083</u>
Net change in fund balance	(21,867,474)	(21,867,474)	1,079,069	22,946,543
Fund balance - beginning	<u>21,867,474</u>	<u>21,867,474</u>	<u>25,773,561</u>	<u>3,906,087</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,852,630</u>	<u>\$ 26,852,630</u>

See the accompanying independent auditors' report.

GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final Budget</u>		
REVENUES				
Federal sources	\$ 10,823,654	\$ 9,969,637	\$ 9,733,328	\$ (236,309)
EXPENDITURES				
Instruction	8,319,019	7,662,625	7,480,999	181,626
Supporting services:				
Student services	1,337,733	1,232,181	1,202,975	29,206
Instructional staff	733,837	675,936	659,914	16,022
School administration	74,089	68,244	66,626	1,618
Business services	19,255	17,735	17,315	420
Operation and maintenance	506	466	455	11
Student transportation	19,317	17,793	17,371	422
Central services	92,576	85,271	83,250	2,021
Other support services	208,950	192,463	187,901	4,562
Food service operations	927	854	834	20
Community services	17,445	16,069	15,688	381
Total expenditures	<u>10,823,654</u>	<u>9,969,637</u>	<u>9,733,328</u>	<u>236,309</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

WIDEFIELD PARKS AND RECREATION FUND

Used to record all transactions related to the operations of the Widefield Parks and Recreation Fund.

For financial reporting purposes, the Widefield Parks and Recreation Fund was determined to be a major fund of the District for the current fiscal year.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
WIDEFIELD PARK AND RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Property taxes	\$ 2,130,000	\$ 2,130,000	\$ 2,187,284	\$ 57,284
Specific ownership taxes	230,000	230,000	250,497	20,497
Other local sources	462,800	481,655	431,491	(50,164)
Total revenues	<u>2,822,800</u>	<u>2,841,655</u>	<u>2,869,272</u>	<u>27,617</u>
EXPENDITURES				
Supporting services:				
Operation and maintenance	792,170	797,547	733,667	63,880
Other support services	2,008	2,022	1,860	162
Community services	1,420,270	1,429,910	1,315,381	114,529
Facilities acquisition and construction	255,056	256,787	236,220	20,567
Debt service	308,296	310,389	285,528	24,861
Contingency reserves	6,138,176	6,138,176	-	6,138,176
Total expenditures	<u>8,915,976</u>	<u>8,934,831</u>	<u>2,572,656</u>	<u>6,362,175</u>
Excess (deficiency) of revenues over expenditures	<u>(6,093,176)</u>	<u>(6,093,176)</u>	<u>296,616</u>	<u>6,389,792</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(45,000)	(45,000)	(45,000)	-
Premium (discount) on debt issued	-	-	2,758,834	2,758,834
Other long-term debt proceeds	-	-	14,570,000	14,570,000
Total other financing sources (uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>17,283,834</u>	<u>17,328,834</u>
Net change in fund balance	(6,138,176)	(6,138,176)	17,580,450	23,718,626
Fund balance - beginning	<u>6,138,176</u>	<u>6,138,176</u>	<u>6,218,047</u>	<u>79,871</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,798,497</u>	<u>\$ 23,798,497</u>

See the accompanying independent auditors' report.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

BOND REDEMPTION FUND

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
BOND REDEMPTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources:			
Property taxes	\$ 4,440,000	\$ 4,461,145	\$ 21,145
Other local sources	50,000	5,678	(44,322)
Total revenues	4,490,000	4,466,823	(23,177)
EXPENDITURES			
Debt service	5,226,625	5,144,392	82,233
Excess (deficiency) of revenues over expenditures	(736,625)	(677,569)	59,056
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of bonds	14,000,000	13,945,000	(55,000)
Payments to escrow agents	-	(13,740,367)	(13,740,367)
Total other financing sources (uses)	14,000,000	204,633	(13,795,367)
Net change in fund balance	13,263,375	(472,936)	(13,736,311)
Fund balance - beginning	5,385,151	5,480,812	95,661
Fund balance - ending	\$ 18,648,526	\$ 5,007,876	\$ (13,640,650)

See the accompanying independent auditors' report.

BUILDING FUND

This fund is used to account for all resources available for acquiring capital sites, buildings, and equipment.

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local sources:			
Other local sources	\$ 100,000	\$ 21,074	\$ (78,926)
State sources:			
Other state funding	65,000	635,090	570,090
Total revenues	<u>165,000</u>	<u>656,164</u>	<u>491,164</u>
EXPENDITURES			
Instruction	28,008	20,234	7,774
Supporting services:			
Business services	33,110	23,920	9,190
Operation and maintenance	226,216	163,426	62,790
Central services	3,055	2,207	848
Facilities acquisition and construction	<u>4,339,161</u>	<u>3,134,760</u>	<u>1,204,401</u>
Total expenditures	<u>4,629,550</u>	<u>3,344,547</u>	<u>1,285,003</u>
Net change in fund balance	(4,464,550)	(2,688,383)	1,776,167
Fund balance - beginning	<u>13,436,785</u>	<u>14,225,305</u>	<u>788,520</u>
Fund balance - ending	<u><u>\$ 8,972,235</u></u>	<u><u>\$ 11,536,922</u></u>	<u><u>\$ 2,564,687</u></u>

See the accompanying independent auditors' report.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. These funds may be required by statute or ordinance and others may be established through resolutions by the Board of Education for purposes of better administration. The District has the following Special Revenue Funds:

Food Service Fund

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

Pupil Activity Fund

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

Conservation Trust Fund

Used for improving the community center's parks and recreation areas. Funds are derived from the lottery.

Capital Projects Fund

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	Food Service Fund	Pupil Activity Fund	Conservation Trust Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	\$ 139,511	\$ 1,629,505	\$ 601,449	\$ 7,217,544	\$ 9,588,009
Intergovernmental receivables	384,521	-	-	-	384,521
Other receivables	-	-	-	142,770	142,770
Due from component units	-	2,016	-	-	2,016
Due from internal balances	514,468	-	-	82,135	596,603
Inventories and prepaid expenses	108,707	-	-	-	108,707
	<u>\$ 1,147,207</u>	<u>\$ 1,631,521</u>	<u>\$ 601,449</u>	<u>\$ 7,442,449</u>	<u>\$ 10,822,626</u>
LIABILITIES					
Accounts payable and other current liabilities	\$ 77,304	\$ 6,084	\$ 64,030	\$ 483,882	\$ 631,300
Accrued salaries and benefits	103,359	-	-	-	103,359
Compensated absences	2,031	-	-	-	2,031
Due to interfunds	-	123,988	20,253	351,759	496,000
	<u>182,694</u>	<u>130,072</u>	<u>84,283</u>	<u>835,641</u>	<u>1,232,690</u>
FUND BALANCES					
Nonspendable for:					
Inventories and prepaid expenses	108,707	-	-	-	108,707
Committed for:					
Food service operations	855,806	-	-	-	855,806
Pupil activities	-	1,501,449	-	-	1,501,449
Conservation activities	-	-	517,166	-	517,166
Assigned for:					
Capital projects	-	-	-	6,606,808	6,606,808
	<u>964,513</u>	<u>1,501,449</u>	<u>517,166</u>	<u>6,606,808</u>	<u>9,589,936</u>
Total liabilities and fund balances	<u>\$ 1,147,207</u>	<u>\$ 1,631,521</u>	<u>\$ 601,449</u>	<u>\$ 7,442,449</u>	<u>\$ 10,822,626</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	Food Service Fund	Pupil Activity Fund	Conservation Trust Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES					
Local sources	\$ 40,149	\$ 689,937	\$ 299,981	\$ 233,031	\$ 1,263,098
State sources	26,942	-	-	142,770	169,712
Federal sources	2,504,901	-	-	-	2,504,901
	<u>2,571,992</u>	<u>689,937</u>	<u>299,981</u>	<u>375,801</u>	<u>3,937,711</u>
EXPENDITURES					
Instruction	-	616,477	-	-	616,477
Supporting services	-	142,404	-	36,453	178,857
Food service operations	2,701,078	-	-	-	2,701,078
Community services	-	47	-	-	47
Facilities acquisition and construction	-	-	990,272	1,818,478	2,808,750
	<u>2,701,078</u>	<u>758,928</u>	<u>990,272</u>	<u>1,854,931</u>	<u>6,305,209</u>
Excess (deficiency) of revenues over expenditures	(129,086)	(68,991)	(690,291)	(1,479,130)	(2,367,498)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	50,000	-	1,500,000	1,550,000
Net change in fund balances	(129,086)	(18,991)	(690,291)	20,870	(817,498)
Fund balances - beginning	<u>1,093,599</u>	<u>1,520,440</u>	<u>1,207,457</u>	<u>6,585,938</u>	<u>10,407,434</u>
Fund balances - ending	<u>\$ 964,513</u>	<u>\$ 1,501,449</u>	<u>\$ 517,166</u>	<u>\$ 6,606,808</u>	<u>\$ 9,589,936</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local sources:			
Other local sources	\$ 714,000	\$ 40,149	\$ (673,851)
State sources:			
Other state funding	32,500	26,942	(5,558)
Federal sources	<u>2,331,500</u>	<u>2,504,901</u>	<u>173,401</u>
Total revenues	<u>3,078,000</u>	<u>2,571,992</u>	<u>(506,008)</u>
EXPENDITURES			
Food service operations	3,312,976	2,701,078	611,898
Contingency reserves	<u>910,590</u>	<u>-</u>	<u>910,590</u>
Total expenditures	<u>4,223,566</u>	<u>2,701,078</u>	<u>1,522,488</u>
Net change in fund balance	(1,145,566)	(129,086)	1,016,480
Fund balance - beginning	<u>1,145,566</u>	<u>1,093,599</u>	<u>(51,967)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 964,513</u>	<u>\$ 964,513</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
PUPIL ACTIVITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local sources:			
Other local sources	\$ 2,250,000	\$ 689,937	\$ (1,560,063)
EXPENDITURES			
Instruction	1,827,674	616,477	1,211,197
Supporting services:			
Student services	388,762	131,130	257,632
Instructional staff	33,424	11,274	22,150
Community services	140	47	93
Contingency reserves	1,615,829	-	1,615,829
Total expenditures	3,865,829	758,928	3,106,901
Excess (deficiency) of revenues over expenditures	(1,615,829)	(68,991)	1,546,838
OTHER FINANCING SOURCES (USES)			
Transfers in	-	50,000	50,000
Net change in fund balance	(1,615,829)	(18,991)	1,596,838
Fund balance - beginning	1,615,829	1,520,440	(95,389)
Fund balance - ending	\$ -	\$ 1,501,449	\$ 1,501,449

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
 CONSERVATION TRUST FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local sources:			
Other local sources	\$ 237,500	\$ 299,981	\$ 62,481
EXPENDITURES			
Facilities acquisition and construction	550,000	990,272	(440,272)
Contingency reserves	897,676	-	897,676
Total expenditures	1,447,676	990,272	457,404
Net change in fund balance	(1,210,176)	(690,291)	519,885
Fund balance - beginning	1,210,176	1,207,457	(2,719)
Fund balance - ending	\$ -	\$ 517,166	\$ 517,166

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources:			
Other local sources	\$ 165,000	\$ 233,031	\$ 68,031
State sources:			
Other state funding	-	142,770	142,770
Total revenues	<u>165,000</u>	<u>375,801</u>	<u>210,801</u>
EXPENDITURES			
Supporting services:			
Operation and maintenance	49,130	36,453	12,677
Facilities acquisition and construction	2,450,870	1,818,478	632,392
Contingency reserves	5,459,116	-	5,459,116
Total expenditures	<u>7,959,116</u>	<u>1,854,931</u>	<u>6,104,185</u>
Excess (deficiency) of revenues over expenditures	(7,794,116)	(1,479,130)	6,314,986
OTHER FINANCING SOURCES (USES)			
Transfers in	1,500,000	1,500,000	-
Net change in fund balance	(6,294,116)	20,870	6,314,986
Fund balance - beginning	6,294,116	6,585,938	291,822
Fund balance - ending	<u>\$ -</u>	<u>\$ 6,606,808</u>	<u>\$ 6,606,808</u>

See the accompanying independent auditors' report.

COMPLIANCE SECTION

SINGLE AUDIT

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
<i>Child Nutrition Cluster</i>				
Passed Through Colorado Department of Education				
National School Lunch Program	10.555	4555	\$ -	\$ 270,276
Summer Food Service Program for Children	10.559	4559		2,032,039
Passed Through Colorado Department of Human Services				
National School Lunch Program	10.555	4555		202,586
<i>Total Child Nutrition Cluster</i>				<u>2,504,901</u>
Total U.S. Department of Agriculture				<u>2,504,901</u>
U.S. Department of Defense				
Direct Programs				
Promoting K-12 Student Achievement at Military-Connected Schools				
	12.556			391,933
Department of Defense Impact Aid				
	12.558			226,661
Reserve Officer Training Corps (ROTC)				
	12.Unknown			152,615
Total U.S. Department of Defense				<u>771,209</u>
U.S. Department of Treasury				
Passed Through Colorado Department of Education				
Coronavirus Relief Fund	21.019	4012,5012,6012		<u>5,112,761</u>
U.S. Department of Education				
Direct Programs				
Impact Aid				
	84.041		9,200	770,561
				<u>770,561</u>
Passed Through Colorado Department of Education				
<i>Special Education Cluster</i>				
Special Education: Grants to States IDEA Part B				
	84.027	4027		1,696,944
Special Education: Preschool Grants				
	84.173	4173		71,483
<i>Total Special Education Cluster</i>				<u>1,768,427</u>
Title I Grants to Local Educational Agencies				
	84.010	4010		1,502,097
Special Education - State Personnel Development				
	84.323	5323		14,162
English Language Acquisition Grants				
	84.365	4365		6,238
Improving Teacher Quality State Grants				
	84.367	4367		266,502
Student Support and Academic Enrichment Program				
	84.424	4424		130,374
Education Stabilization Fund				
	84.425D	4425,4414,4420		773,398
Passed through Colorado Community College System				
Vocational Education - Carl Perkins				
	84.048	4048		66,729
Total U.S. Department of Education				<u>9,200</u>
Total Federal Awards				<u>\$ 9,200</u>
				<u>\$ 13,687,359</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of El Paso County School District No. 3 under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of El Paso County School District No. 3, it is not intended to and does not present the financial position, changes in net assets, or cash flows of El Paso County School District No. 3.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Pass-through entity identifying numbers are presented where available. ROTC does not have a CFDA number, so the Federal CFDA number on the Schedule of Expenditures of Federal Awards identifies the Department followed by "Unknown".

NOTE 3 – INDIRECT COST RATE

El Paso County School District No. 3 has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – NON-CASH ASSISTANCE

During the year end June 30, 2021, El Paso County School District No. 3 received \$202,586 in non-cash assistance in the form of food commodities. Valuation of commodities is based on fair market value at the time of receipt.



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

To the Board of Education
El Paso County School District No. 3

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of El Paso County School District No. 3, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise El Paso County School District No. 3's basic financial statements, and have issued our report thereon dated October 29, 2021. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Paso County School District No. 3's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Paso County School District No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of El Paso County School District No. 3's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Paso County School District No. 3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hoelting & Company, Inc.

Colorado Springs, Colorado
October 29, 2021



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

To the Board of Education
El Paso County School District No. 3

Report on Compliance for Each Major Federal Program

We have audited El Paso County School District No. 3's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of El Paso County School District No. 3's major federal programs for the year ended June 30, 2021. El Paso County School District No. 3's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of El Paso County School District No. 3's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about El Paso County School District No. 3's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of El Paso County School District No. 3's compliance.

Opinion on Each Major Federal Program

In our opinion, El Paso County School District No. 3, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of El Paso County School District No. 3 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered El Paso County School District No. 3's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of El Paso County School District No. 3's internal control over compliance.

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

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

Purpose of this Report

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

Hoelting & Company Inc.

Colorado Springs, Colorado
October 29, 2021

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs?

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 10.555 & 10.559	Child Nutrition Cluster
CFDA 84.041	Impact Aid
CFDA 21.019	Coronavirus Relief Fund
CFDA 84.425	Education Stabilization Fund

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section II—Financial Statement Findings

No findings reported.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the El Paso County School District No. 3 Schedule of Findings and Questioned Costs for the year ended June 30, 2020. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2021 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

There were no prior year audit findings.

STATE COMPLIANCE



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

To the Board of Education
El Paso County School District No. 3

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of El Paso County School District No. 3, as of and for the year ended June 30, 2021, which collectively comprise El Paso County School District No. 3's basic financial statements, and our report thereon dated October 29, 2021, which expressed an unmodified opinion on those financial statement, appears as listed in the table of contents.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 3's financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Colorado Springs, Colorado
October 29, 2021



Colorado Department of Education
Auditors Integrity Report
 District: 0990 - Widefield 3
 Fiscal Year 2020-21
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	25,247,231	84,429,454	83,809,276	25,867,409
18 Risk Mgmt Sub-Fund of General Fund	526,330	3,818,488	3,359,598	985,221
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	25,773,561	88,247,942	87,168,873	26,852,630
11 Charter School Fund	68,180	939,912	1,015,255	-7,163
20,26-29 Special Revenue Fund	7,425,504	20,453,087	3,562,928	24,315,662
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	1,093,598	2,571,992	2,701,077	964,513
22 Govt Designated-Purpose Grants Fund	0	9,733,328	9,733,328	0
23 Pupil Activity Special Revenue Fund	1,520,440	739,937	758,929	1,501,449
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	5,480,812	18,411,824	18,884,759	5,007,877
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	14,225,305	656,163	3,344,546	11,536,922
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	6,585,938	1,875,801	1,854,931	6,606,808
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	62,173,339	143,629,985	129,024,625	76,778,698
Proprietary				
50 Other Enterprise Funds	-165,373	27	16,786	-182,131
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	-165,373	27	16,786	-182,131
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

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