

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER

EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Education
El Paso County School District #38 – Lewis-Palmer
Monument, Colorado

Report on the Financial Statements

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 #38 – Lewis-Palmer (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the entity'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 auditors' 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 #38 – Lewis-Palmer 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.

Emphasis of a Matter

The District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*. As a result of implementation of GASB Statement No. 84, the District reported a restatement of beginning net position and fund balance for the change in accounting principle, as described in Note 12 to the financial statements. Our opinion is not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – general fund, budgetary comparison schedule – grants fund, pension schedules, and other post-employment benefits schedules on pages IV - XVIII and 46 - 54 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

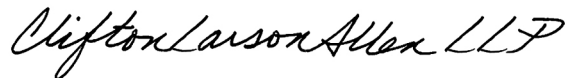
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules and Auditors' Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The introductory and statistical sections have 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 January 24, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Broomfield, Colorado
January 24, 2022

EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(UNAUDITED)

This section of the El Paso County School District #38 - Lewis-Palmer's (the District) annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section, including the notes to the financial statements. Key financial highlights for 2021 are as follows:

- The total liabilities and deferred inflows of resources of the Primary Government exceeded its assets including land, buildings, and equipment and deferred outflows of resources at the close of the fiscal year June 30, 2021 by \$44,509,175 for the primary reporting entity. This represented an increase in net position of \$25,072,482. The District participates in the School Division Trust Fund, a cost-sharing multiple employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). A significant portion of the increase in net position was the result of a decrease of \$22,422,139 in the District's proportionate share of the net pension liability and related deferred outflows of resources and deferred inflows of resources.
- The District has an unrestricted net position of negative \$91,263,383 as of June 30, 2021 as compared to a negative unrestricted net position of \$118,533,371 as of June 30, 2020.
- Total revenues were \$73,324,593. General revenues accounted for \$61,885,878 in revenue or 84% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$11,438,715 or 16% of total revenue.
- The Primary Government's total net position increased from a negative \$69,581,657 at June 30 as restated, 2020 to negative \$44,509,175 at June 30, 2021. This was an increase of \$25,072,482 during the fiscal year or 39%.
- The District incurred \$48,252,111 in expenses related to governmental activities; only \$11,438,715 of these expenses was offset by program specific charges for services, grants and contributions. General revenues, primarily State equalization and property taxes, of \$61,885,878 provided for the remaining funding of activities.
- As of June 30, 2021, the District's governmental funds reported a combined ending fund balance of \$35,494,894, an increase of \$8,210,842. The primary cause of the fund balance increase was a \$7,813,507 increase in Nonmajor Governmental Funds Balance. Nonmajor Fund Balances increased primarily due to a significant amount of debt proceeds recorded in the Building Reserve Fund.
- The governmental funds had \$202,258 in fund balances designated as nonspendable related to inventory as of June 30, 2021.
- The governmental funds restricted fund balance totaled \$16,781,650, with \$2,041,616 held in the General Fund for the emergency contingency required by Article X, Section 20 of the Colorado Constitution, \$6,701,475 held in the Debt Service Fund, \$616,347 held in the Food Services Fund, and \$7,422,212 held in the Capital Reserve Fund relating to capital lease proceeds.

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JUNE 30, 2021
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- \$3,430,164 was held at year end as a committed fund balance consisting of \$186,823 for retirement payments in the General Fund, \$1,114,089 held for maintenance projects in the Capital Reserve Fund; and \$2,129,252 held in the Pupil Activities Fund.
- \$651,441 was held at year end as an assigned fund balance in the Transportation Fund and \$2,969,218 was held at year end as an assigned fund balance in the Building Reserve Fund. \$3,579,912 was reported at year end as assigned fund balance in the General Fund relating to the amount that budgeted expenditures exceed budgeted revenues for fiscal year 2021-2022.
- The governmental activities total long-term debt increased by \$11,236,578.
- At the end of the fiscal year, the unassigned fund balance for the General Fund was \$7,880,251 or 11% of the total General Fund operating revenue.
- The General Fund total Nonspendable, Restricted, and Committed fund balance was \$2,211,171. This amount included a restricted balance of \$2,041,616, the emergency contingency required by Article X, Section 20 of the Colorado Constitution, and a committed balance of \$186,823 to retirement payments. The remaining \$169,555 is held in nonspendable inventories.
- Among major funds, the General Fund had \$57,314,109 in revenue and \$57,152,548 in expenditures, including transfers out.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the District’s basic financial statements. The District’s financial statements consist of three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District. These two kinds of statements are district-wide financial statements and the fund financial statements, which include all funds of the District.

District-wide financial statements provide both short-term and long-term information about the District’s overall financial status. They consist of two statements and are detailed in pages 1 and 2 of the District’s financial statements.

The *Statement of Net Position* presents information on all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported on a full accrual basis, in other words, 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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The 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. The governmental activities of the District include instruction and support services of the District.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements focus on individual parts of the District, reporting the District’s operations in more detail than the district-wide statements. These statements follow the district-wide statements. These statements tell how basic services such as instruction were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s General Fund budget for the year.

Fund Financial Statements

The fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds – not the District as a whole. *Funds* are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

Governmental Funds – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the district-wide statements, the notes to the financial statements explain the relationship (or differences) between them, and are an integral part of this report.

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Notes to the Basic Financial Statements

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

The notes to the basic financial statements can be found on pages 7-45 of this report.

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. The District also presents required pension schedules in this section.

Other Information

The District adopts an annual appropriated budget for all funds. Budgetary comparison schedules have been provided for all other funds to demonstrate compliance with this budget. The combining statements and budgetary schedules are presented immediately following the required supplementary information.

Financial Analysis of the District as a Whole

The following table provides a summary of the District's net position as of June 30, 2021 and 2020, respectively:

Table 1 – Condensed Statement of Net Position

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|------------------------|------------------------|
| Current and Other Assets | \$ 42,310,570 | \$ 34,010,378 |
| Capital Assets | <u>82,304,338</u> | <u>84,429,239</u> |
| Total Assets | 124,614,908 | 118,439,617 |
| Deferred Outflows of Resources | 26,591,443 | 12,182,566 |
| Current Liabilities | 6,650,028 | 8,331,246 |
| Long-Term Liabilities | <u>150,025,184</u> | <u>138,788,606</u> |
| Total Liabilities | 156,675,212 | 147,119,852 |
| Deferred Inflows of Resources | <u>39,040,314</u> | <u>54,876,457</u> |
| Net Investment in Capital Assets | 37,409,150 | 35,472,223 |
| Restricted | 9,345,058 | 11,687,022 |
| Unrestricted | <u>(91,263,383)</u> | <u>(118,533,371)</u> |
| Total Net Position | <u>\$ (44,509,175)</u> | <u>\$ (71,374,126)</u> |

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
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The following table provides a summary of the District’s activities for the fiscal years ended June 30, 2021 and 2020, respectively:

Table 2 – Condensed Statement of Activities

| | Governmental Activities | |
|--------------------------------|--------------------------------|------------------------|
| | 2021 | 2020 |
| REVENUES | | |
| Program Revenues: | | |
| Charges for Services | \$ 2,479,936 | \$ 1,891,409 |
| Operating Grants/Contributions | 8,600,796 | 7,040,294 |
| Capital Grants/Contributions | 357,983 | 82,585 |
| General Revenues: | | |
| Property Taxes | 24,384,410 | 24,388,541 |
| Specific Ownership Taxes | 2,831,517 | 2,675,420 |
| State Equalization | 34,231,877 | 37,478,854 |
| Investment Income | 30,448 | 289,536 |
| Other | 407,626 | 399,147 |
| Total Revenues | <u>73,324,593</u> | <u>74,245,786</u> |
| EXPENSES | | |
| Instruction | 28,326,648 | 33,132,627 |
| Support | 18,122,426 | 20,230,239 |
| Interest on Long-Term Debt | 1,803,037 | 1,815,260 |
| Total Expenses | <u>48,252,111</u> | <u>55,178,126</u> |
| CHANGE IN NET POSITION | 25,072,482 | 19,067,660 |
| Net Position - Beginning | <u>(69,581,657)</u> | <u>(90,441,786)</u> |
| NET POSITION - ENDING | <u>\$ (44,509,175)</u> | <u>\$ (71,374,126)</u> |

Government-wide Financial Analysis

- Revenues decreased from 2020 levels, decreasing by \$921,193 or 1.2%.
- Program revenues increased by \$2,424,427 or 27.1%.
 - The increase relates primarily to additional grant funding recorded in 2021.
- General Revenues decreased by \$3,345,620 or 5.1%.
 - This is primarily the result of decreased state equalization funding due to decrease budgeting for education at the state, resulting in \$3,246,977 in decreased revenues.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
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- Expenses decreased by \$6,926,015 or 12.6%
 - Instructional expenses decreased by \$4,805,979 or 14.5%. The vast majority of this increase was due to changes in the net pension liability related to the District’s participation in PERA. See Note 8 for additional information.
 - Support expenses decreased by \$2,107,813, or 10.4%. The vast majority of this decrease was due to changes in the net pension liability related to the District’s participation in PERA. See Note 8 for additional information.
 - Interest on long-term debt expenses decreased by \$12,223 or 0.7%.

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, unrestricted fund balance may serve as a useful measure of the District’s net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2021, the District’s governmental funds reported a combined ending fund balance of \$35,494,894.

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 \$57,314,109 in fiscal year 2020-2021, an decrease of \$3,848,982 or 6.3% over fiscal year 2019-2020.

Table 3 – General Fund Revenues by Source

| REVENUES | FY 2020-21 | FY 2019-20 | Amount of Change | Percentage of Change |
|--------------------------|----------------------|----------------------|-----------------------------|---------------------------------|
| Property Taxes | \$ 17,885,103 | \$ 17,613,631 | \$ 271,472 | 1.5% |
| Specific Ownership Taxes | 2,831,517 | 2,675,420 | 156,097 | 5.8% |
| Federal Sources | - | 3,017 | (3,017) | (100.0%) |
| State of Colorado | | | | |
| State Equalization | 34,231,877 | 37,478,854 | (3,246,977) | (8.7%) |
| Other | 1,525,110 | 2,181,479 | (656,369) | (30.1%) |
| Other Sources: | | | | |
| Investment Income | 23,032 | 228,456 | (205,424) | (89.9%) |
| Other Local Sources | 817,470 | 982,234 | (164,764) | (16.8%) |
| Total Revenues | <u>\$ 57,314,109</u> | <u>\$ 61,163,091</u> | <u>\$ (3,848,982)</u> | <u>-6.3%</u> |

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Revenues

State Equalization and property taxes accounted for most of the General Fund's total revenue, making up 60% and 31% respectively of total General Fund revenue. An additional 5% of revenues were contributed from specific ownership taxes, with the remainder being derived from other local sources and investment earnings.

State Equalization – State equalization revenue for pre-kindergarten through 12th grade education is the primary revenue source for the General Fund, providing 60% of total revenue. Payments are received monthly at generally 1/12th of the annual State estimated revenue. State equalization revenues decreased by 8.7% in fiscal year 2020-2021 compared to fiscal year 2019-2020. The state budgeted less for education in fiscal year 2021.

Property Taxes – Property tax revenues in the General Fund increased by 1.5% or \$271,472 in fiscal year 2020-2021 compared to fiscal year 2019-2020. The 2020-2021 General Fund property tax revenues were based upon a levy of 29.980 mills applied against an assessed valuation of \$596,529,370. The 2019-2020 mill levy was 30.085 mills applied against an assessed valuation of \$589,828,860. 2021 property taxes included 6.705 mills for an override mill levy first passed in 1999, compared to 6.782 mills for the 2020 override mill levy. Including property and specific ownership taxes, local property taxpayers provide 33% of the funding for public education in the District's General Fund based on the total mill levy.

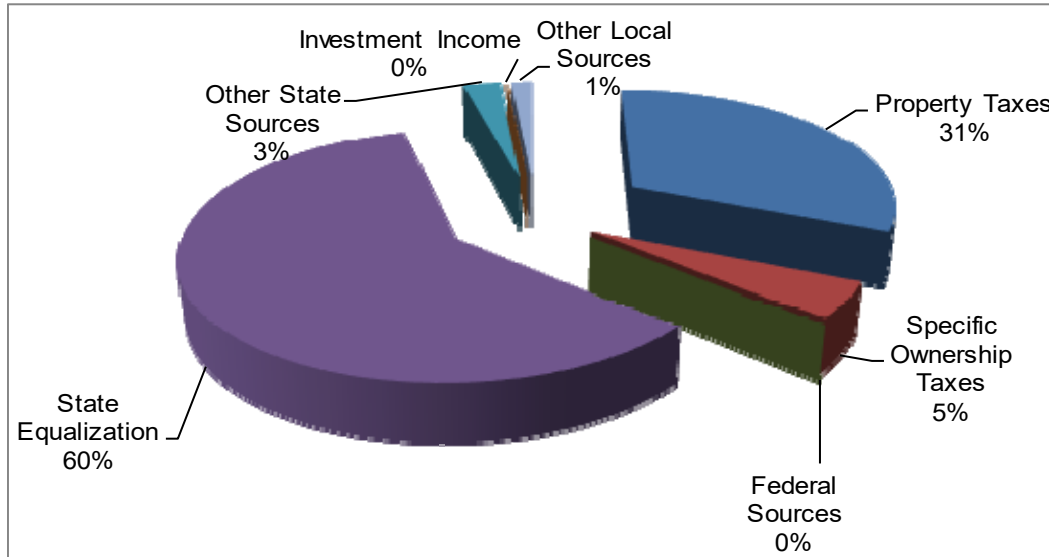
Specific Ownership Taxes – Specific ownership tax is applied to the fair value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their vehicle registrations each year. The 5% increase in specific ownership tax collections to \$156,097 reflects a net increase in the collective fair value of vehicles registered in fiscal year 2020-2021 as compared to the prior fiscal year.

Other State Sources – Other State sources consist of special education revenue and other miscellaneous State revenues received. These revenues decreased by \$656,369 which is primarily the result of the on behalf payment which was suspended in July 2020 and did not take place in fiscal year 2021.

Other Sources – Other sources of revenue consist of investment income, activity fees, fees for charter school services provided, and a variety of miscellaneous revenue sources. Other local sources of revenue decreased by \$164,764, primarily due to the cancellation of many student activities due to the COVID-19 pandemic.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
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Table 4 – General Fund Revenues by Source



Expenditures

Expenditures reported by the General Fund decreased by \$2,425,364 or 4.1% to \$57,152,548 for fiscal year 2021, down from \$59,577,912 for fiscal year 2020. Much of the decrease is attributable to the \$2.6 million decrease in instructional costs.

Table 5 – General Fund Expenditures by Function

| | <u>FY 2020-21</u> | <u>FY 2019-20</u> | <u>Amount of Change</u> | <u>Percentage of Change</u> |
|----------------------------|--------------------------|--------------------------|---------------------------|-----------------------------|
| EXPENDITURES | | | | |
| Instruction | \$ 33,593,701 | \$ 36,255,314 | \$ (2,661,613) | (7.3%) |
| Support: | | | | |
| Student Services | 3,014,564 | 3,105,280 | (90,716) | (2.9%) |
| Instructional Support | 2,711,685 | 2,725,076 | (13,391) | (.5%) |
| General Administration | 768,847 | 835,394 | (66,547) | (8.0%) |
| School Administration | 3,228,222 | 3,275,372 | (47,150) | (1.4%) |
| Business | 1,332,165 | 801,679 | 530,486 | 66.2% |
| Operations and Maintenance | 6,677,401 | 7,382,771 | (705,370) | (9.6%) |
| Student Transportation | 58,217 | 64,891 | (6,674) | (10.3%) |
| Central | 3,058,042 | 2,485,835 | 572,207 | 23.0% |
| Community Services | 404 | - | 404 | 100.0% |
| Allocations: | | | | |
| Transportation | 1,840,963 | 1,680,000 | 160,963 | 9.6% |
| Capital Reserve | 838,337 | 884,000 | (45,663) | (5.2%) |
| Pupil Activities | 30,000 | 82,300 | (52,300) | (63.5%) |
| Total Expenditures | <u>\$ 57,152,548</u> | <u>\$ 59,577,912</u> | <u>\$ (2,425,364)</u> | <u>(4.1%)</u> |

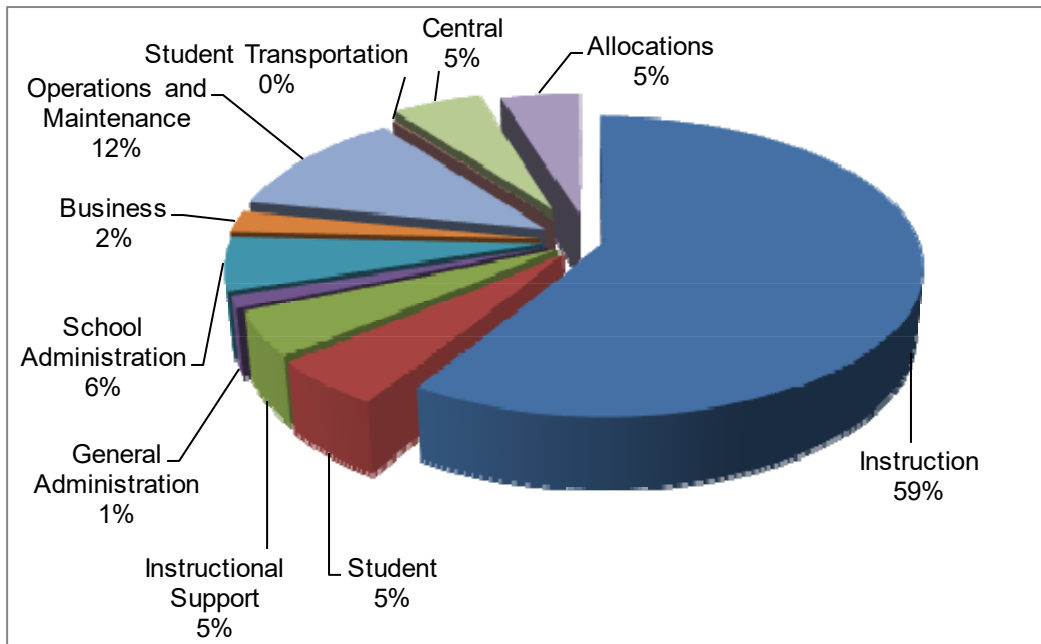
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Instruction – Instruction expenditures for fiscal year 2020-2021 are 7.3% lower than fiscal year 2019-2020. The decrease is due primarily to the suspension of the on-behalf payment in July 2020.

Supporting Services – Combined supporting services expenditures for fiscal year 2020-2021 increased from \$20,676,298 to \$20,849,547, an increase of \$173,249 or 1% from fiscal year 2019-2020. This was primarily the result of increased expenditures in the area of Central Services. Expenditure increases were related to new Chromebook purchases in fiscal year 2020-2021.

Allocations – The increase in transfers out of \$63,000 or 2.4% is due to increase in transfer to Transportation Fund.

Table 6 – General Fund Expenditures by Function



Note: Charter School Expenditures are a subset of Instructional Expenditures.

Bond Redemption Fund

The Bond Redemption Fund is used to service the long-term debt not being financed by the Capital Reserve or other funds. The primary revenue source for the Bond Redemption Fund is a voter approved mill levy, which was 11.020 mills for the 2020-2021 year. This generated a revenue of \$6,570,334. These funds will be used to satisfy principal and interest requirements on the District's general obligation debt. The Bond Redemption Fund expenditures primarily reflect principal and interest expenditures on the District's general obligation debt.

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Non-major Governmental Funds

Information for non-major governmental funds is aggregated and reported as other governmental funds on the statement of revenues, expenditures, and changes in fund balances for governmental funds. Further detail by fund is reported as part of the other supplementary information section of this report. Included in the District’s non-major governmental funds are:

Special Revenue and Capital Project Funds

A summary of revenues, other financing sources, and expenditures for the non-major Special Revenue and Capital project funds for fiscal year 2020-2021 follows:

Table 7 – Summary of Special Revenue and Capital Projects Fund Activity

| Nonmajor Special Revenue and Capital Project Funds | Revenue | Other Financing Sources | Expenditures | Net Change in Fund Balance |
|---|---------------------|--|----------------------|---------------------------------------|
| Food Service Fund | \$ 1,247,794 | \$ - | \$ 1,214,623 | \$ 33,171 |
| Grants Fund | 5,612,001 | - | 5,612,001 | - |
| Pupil Activity Fund | 1,594,683 | 30,000 | 1,681,892 | (57,209) |
| Transportation | 696,178 | 1,840,963 | 2,174,349 | 362,792 |
| Capital Reserve Fund | 960 | 8,798,142 | 1,681,202 | 7,117,900 |
| Building Reserve Fund | 284,887 | 71,966 | - | 356,853 |
| Total Revenue, Other Financing Sources and Expenditures | <u>\$ 9,436,503</u> | <u>\$ 10,741,071</u> | <u>\$ 12,364,067</u> | <u>\$ 7,813,507</u> |

Food Service Fund

The Food Service Fund revenues come from charges to users throughout the District and reimbursement for meal expenses under the Federal Child Nutrition Act. Fiscal year 2020-2021 revenues totaled \$1,247,794. Expenditures totaled \$1,214,623. Fund balance increased by \$33,171. The fund balance increase was primarily related to increased food service grant funding for the summer food service program due to the switch to back in school learning as a response to the COVID-19 pandemic.

Grants Fund

The Grant Fund is used to account for the revenues and expenditures of specific local, state, and federal grant awards. Revenues for the 2020-2021 school year totaled \$5,612,001 compared to \$2,637,611 for the 2019-2020 school year. This increase in revenues is primarily the result of additional Federal funding relating to Coronavirus Relief Funds. The large majority of revenues and expenditures in the Grants Fund are the result of federal funding directed towards special needs students and students identified as at risk due to poverty.

Pupil Activity Fund

The Pupil Activity Fund is used to account for the various athletic activities of the district. The primary sources of funding are fees and admission fees. The fund balance decreased by 57,209 for the year with \$1,624,683 in revenues/other financing sources and \$1,681,892 in expenditures.

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Transportation Fund

The Transportation Fund is used to account for revenues and expenditures related to transporting students. Revenues for the year totaled \$696,178. Other Financing Sources included transfers from the General Fund of \$1,840,963. Expenditures totaled \$2,174,349. As a result, fund balance increased by \$362,792.

Capital Reserve Fund

Total revenues for the Capital Reserve Fund, including capital lease proceeds and transfers from the General Fund, amounted to \$8,798,142 while expenditures totaled \$1,681,202. This resulted in an increase in fund balance of \$7,117,900. The fund had capital lease proceeds and cash with fiscal agent in the amount of \$7,422,212 to be used for energy efficiency equipment improvements.

Building Reserve Fund

The Building Reserve Fund is a Capital Projects Fund. Revenue and other financing sources for fiscal year 2020-2021 was a total of \$356,853. Expenditures totaled \$0. Fund balance increased by 356,853.

General Fund Budgetary Highlights

The original fiscal year 2020-2021 budget adopted by the Board of Education for the District's General Fund included total appropriations of \$53,865,085. The final budget adopted by the Board of Education for the General Fund included revenues of \$48,239,264.

Table 8 – General Fund Budget vs. Actual Revenue

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance to Final</u> |
|--------------------------|----------------------------|-------------------------|----------------------|------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 17,713,300 | \$ 17,713,300 | \$ 17,885,103 | \$ 171,803 |
| Specific Ownership Taxes | 2,933,307 | 2,933,307 | 2,831,517 | (101,790) |
| Federal Sources | - | - | - | - |
| State of Colorado: | | | | |
| State Equalization | 30,803,017 | 25,019,864 | 34,231,877 | 9,212,013 |
| Other | 1,305,184 | 1,305,184 | 1,525,110 | 219,926 |
| Other Sources: | | | | |
| Investment Income | 260,000 | 260,000 | 23,032 | (236,968) |
| Other Local Sources | 850,277 | 1,007,609 | 817,470 | (190,139) |
| Totals | <u>\$ 53,865,085</u> | <u>\$ 48,239,264</u> | <u>\$ 57,314,109</u> | <u>\$ 9,074,845</u> |

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
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The District’s General Fund actual revenues totaled \$57,314,109, 18.8% less than budgeted revenues. Property taxes revenues received were greater than the budgeted amount due to a larger than anticipated increase in the assessed valuation of property within the boundaries of the District. Other Local Sources revenue includes pupil activities revenue, which was less than budgeted as these revenues were recorded in the Pupil Activity Fund rather than General Fund. Actual State Equalization revenues were less than budgeted due to a decrease in state per pupil revenue. Other State actual revenue includes an on-behalf payment from the State of Colorado to Colorado PERA, which the District records revenue and expenditures for the District’s proportionate share of this benefit and this only took place in fiscal year 2020.

Table 9 – General Fund Budget vs. Actual Expenditures

| EXPENDITURES | Original Budget | Final Budget | Actual | Variance to Final |
|----------------------------|----------------------------|-------------------------|----------------------|------------------------------|
| Instruction | \$ 35,132,779 | \$ 33,851,803 | \$ 33,593,701 | \$ 258,102 |
| Support: | | | | |
| Student | 2,952,440 | 2,952,440 | 3,014,564 | (62,124) |
| Instructional Support | 2,735,059 | 2,772,809 | 2,711,685 | 61,124 |
| General Administration | 723,966 | 1,003,966 | 768,847 | 235,119 |
| School Administration | 3,312,038 | 3,312,038 | 3,228,222 | 83,816 |
| Business Services | 822,352 | 1,535,614 | 1,332,165 | 203,449 |
| Operations and Maintenance | 7,166,759 | 7,166,759 | 6,677,401 | 489,358 |
| Student Transportation | 62,676 | 62,676 | 58,217 | 4,459 |
| Central Support | 2,611,233 | 2,730,333 | 3,058,042 | (327,709) |
| Community Services | - | - | 404 | (404) |
| Allocations: | | | | |
| Transportation | 1,680,000 | 1,780,000 | 1,840,963 | (60,963) |
| Capital Reserve | 1,264,000 | 884,000 | 838,337 | 45,663 |
| Pupil Activity | 82,300 | - | 30,000 | (30,000) |
| Totals | <u>\$ 58,545,602</u> | <u>\$ 58,052,438</u> | <u>\$ 57,152,548</u> | <u>\$ 899,890</u> |

The General Fund final budget to actual variance was \$899,890 or 1.6% under final budgeted expenditures and other financing uses. Actual instruction expenditures were less than budgeted due to fewer salaries and benefits costs, along with fewer supplies costs than originally budgeted. The District reduced spending during the last quarter of the fiscal year as part of the response to the COVID-19 pandemic. Employees continued to be paid during the physical school building closure, even if they were unable to actively work, but overall the wages and benefits variance was a result of favorable compensation variances related to lower than anticipated position fill rates and compensation rates for newer staff members. Actual support services expenditures were consistent overall with budgeted expenditures, with an overall positive variance of \$687,088. Allocations represent transfers to other funds, which were transferred according to the budgeted amount.

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Capital Asset and Debt Administration

Capital Assets. The District’s investment in capital assets for its governmental activities as of June 30, 2021 amounted to \$82,304,338 (net of accumulated depreciation of \$68,642,731). This investment in capital assets includes land, buildings, improvements, machinery and equipment. This is a decrease of \$2,124,901 from June 30, 2020 total balances. This decrease is due to construction in progress project on a school building being disposed of from governmental activities.

Table 10 – Capital Asset Summary

| <u>Capital Assets</u> | <u>Governmental Activities</u> | |
|-------------------------------|--------------------------------|----------------------|
| | <u>2021</u> | <u>2020</u> |
| Land and Site Improvements | \$ 9,820,865 | \$ 10,931,851 |
| Buildings and Improvements | 132,151,677 | 131,428,347 |
| Transportation and Equipment | 8,974,527 | 8,356,413 |
| Less Accumulated Depreciation | (68,642,731) | (66,287,372) |
| Total | <u>\$ 82,304,338</u> | <u>\$ 84,429,239</u> |

Additional information on the District’s capital assets can be found in Note 4 of this report.

Long Term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$56,513,763 including \$6,246,652 due within the next twelve months.

Table 11 – Debt Summary

| GOVERNMENTAL ACTIVITIES | <u>2021</u> | <u>2020</u> |
|--------------------------------|----------------------|----------------------|
| General Obligation Bonds | \$ 45,977,199 | \$ 50,779,000 |
| Capital Leases | 7,850,205 | - |
| Service Bonus | 158,305 | 161,346 |
| Accrued Compensated Absences | 2,528,054 | 2,230,513 |
| Totals | <u>\$ 56,513,763</u> | <u>\$ 53,170,859</u> |

As of June 30, 2021, the District’s total long-term debt was 9.0% of the assessed valuation of 596,529,370.

The District maintains an Aa2 rating through the Colorado State Intercept Program, and underlying ratings of AA- from Standard and Poor’s and Aa2 from Moody’s.

Please refer to Note 5 for additional details concerning the District’s debt.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
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At the time of the preparation of these financial statements, the District was aware of existing circumstances that could significantly affect its financial future:

- While the COVID-19 pandemic has continued to have an unprecedented impact on the economy, Colorado shows some signs of recovery. The Colorado Business Economic Outlook (CBEO) projects Colorado will regain 73,900 jobs (2.7%) in 2021, effectively recouping total jobs lost due to the pandemic recession. CBEO reports labor shortages in operational support areas, including bus drivers, food service workers, childcare providers, custodians, maintenance workers, and substitute teachers may greatly impact district operations. Even with the challenges of labor shortages, wage pressures, and inflationary costs the funding outlook remains positive and an environment of high expectations remains for educators to prepare students for the 21st century economy.
- The District's enrollment increased 2% for the 2021/2022 school year when compared to the 2020/2021 school year by approximately 143 students. The District is funded by the State of Colorado based on the number of students enrolled. The State of Colorado increased base funding by \$142 per student for the 2021/2022 school year as compared to the prior year. Preliminary estimates from CDE project the District's Per Pupil Revenue (PPR) at \$8,998 for the 2022/2023 school year, compared to a PPR of \$8,461 for 2021/2022, an estimated increase of \$537 per pupil.
- The State of Colorado administers cost-sharing multiple-employer pension and health care trusts for public employees (Colorado PERA). The District is a member as detailed in Notes 8 and 9 of this document. In 2018, the State enacted legislation designed to fully fund the School Division of the trust over the next 30 years. The liabilities related to this plan have historically increased benefit costs for the District. This trend is projected to continue.
- Experts continue to indicate that the State of Colorado has a structural imbalance in its revenue and related funding needs. Increased costs in Medicaid and constitutional school funding requirements are predicted to outstrip revenues materially over the next decade. The Board of Education continues to review the situation and plan toward this as one of many possibilities.
- The District's Net Assessed Valuation increased 16.7% from \$595,934,160 to \$ 696,101,810. This increase in assessed valuation is primarily related to a competitive housing market, where homes are selling quickly and above asking price.
- The District continues to rank in the top performing school districts in the State based upon State standardized tests. In 2010, the Colorado Department of Education began accrediting school districts in the top 7 – 12% of the State as "accredited with distinction". The District earned this ranking from 2010 through 2019. However, the state's accountability system has been paused for 2020-21 and 2021-22.
- Lewis-Palmer School District 38 has received a "Best Communities for Music Education" award from the National Association of Music Merchants (NAMM) Foundation for the third year in a row. This award program recognizes outstanding efforts by teachers, administrators, parents, students, and community leaders who have made music education part of a well-rounded education. D38 is one of three Colorado districts to receive this distinction. Lewis-Palmer schools have long been recognized for excellence in music education at all levels.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- The District has long been known as a premier district in the State. Both Lewis-Palmer High School and Palmer Ridge High School were ranked as top high schools in Colorado by the U.S. News and World Report, as well as ranked at the national level.

REQUESTS FOR INFORMATION

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of Lewis-Palmer School District's finances. If you have questions about this report or need additional financial information, contact the Finance Department, PO Box 40, 146 Jefferson Street, Monument, CO 80132.

BASIC FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
STATEMENT OF NET POSITION
JUNE 30, 2021

| | Primary Government | Component Unit |
|---|--------------------------------|-----------------------|
| | Governmental Activities | Charter School |
| ASSETS | | |
| Cash and Investments | \$ 32,916,158 | \$ 3,312,485 |
| Restricted Cash and Investments | 7,422,212 | 3,456,268 |
| Receivable: | | |
| Accounts Receivable | 374,036 | 94,251 |
| Taxes Receivable | 952,666 | - |
| Intergovernmental | 443,240 | - |
| Due from Primary Government | - | 127,630 |
| Inventories | 202,258 | - |
| Capital Assets, Not Being Depreciated | 9,820,865 | 2,265,187 |
| Capital Assets, Net of Accumulated Depreciation | 72,483,473 | 30,192,172 |
| Total Assets | 124,614,908 | 39,447,993 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Pension Outflows | 24,815,180 | 1,595,299 |
| Deferred OPEB Outflows | 266,258 | 3,963,490 |
| Loss on Refunding of Debt | 1,510,005 | 56,056 |
| Total Deferred Outflows of Resources | 26,591,443 | 5,614,845 |
| LIABILITIES | | |
| Accounts Payable | 552,100 | 101,134 |
| Due to Component Unit | 127,630 | - |
| Accrued Liabilities | 5,297,138 | 682,031 |
| Accrued Interest Payable | 125,278 | 238,831 |
| Unearned Revenue | 547,882 | 51,380 |
| Long-Term Liabilities: | | |
| Due within One Year | 6,246,652 | 450,727 |
| Due in More than One Year | 50,267,111 | 40,918,406 |
| Net OPEB Liability | 3,280,317 | 11,751,395 |
| Net Pension Liability | 90,231,104 | 427,034 |
| Total Liabilities | 156,675,212 | 54,620,938 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Pension Inflows | 37,854,546 | 5,577,701 |
| Deferred OPEB Inflows | 1,185,768 | 176,126 |
| Total Deferred Inflows of Resources | 39,040,314 | 5,753,827 |
| NET POSITION | | |
| Net Investment in Capital Assets | 37,409,150 | (8,599,417) |
| Restricted for Debt Service | 6,654,392 | 3,090,950 |
| Restricted for Capital Projects | - | 6,485 |
| Restricted for Repairs and Maintenance | - | 120,002 |
| Restricted for Preschool | - | 85,186 |
| Restricted for Food Services | 649,050 | - |
| Restricted for TABOR | 2,041,616 | 270,135 |
| Unrestricted | (91,263,383) | (10,285,268) |
| Total Net Position | \$ (44,509,175) | \$ (15,311,927) |

See accompanying Notes to Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | | Net (Expense) Revenue and Change in Net Position | |
|--|---------------------|----------------------------|--|--|---|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government Governmental Activities | Component Unit Charter School |
| Primary Government | | | | | | |
| Government Activities | | | | | | |
| Instruction | \$ 28,326,648 | \$ 1,777,649 | \$ 6,533,638 | \$ 357,983 | \$ (19,657,378) | \$ - |
| Supporting Services | 18,122,426 | 702,287 | 2,067,158 | - | (15,352,981) | - |
| Interest on Long-Term Debt | 1,803,037 | - | - | - | (1,803,037) | - |
| Total Government Activities | <u>48,252,111</u> | <u>2,479,936</u> | <u>8,600,796</u> | <u>357,983</u> | <u>(36,813,396)</u> | <u>-</u> |
| Component Unit | | | | | | |
| Charter School | <u>\$ 8,009,166</u> | <u>\$ 495,237</u> | <u>\$ 537,039</u> | <u>\$ 287,283</u> | <u>-</u> | <u>(6,689,607)</u> |
| GENERAL REVENUES | | | | | | |
| | | | | | 24,384,410 | 578,894 |
| | | | | | 2,831,517 | - |
| | | | | | 34,231,877 | 7,333,679 |
| | | | | | 30,448 | 25,774 |
| | | | | | 407,626 | 97,031 |
| | | | | | <u>61,885,878</u> | <u>8,035,378</u> |
| CHANGE IN NET POSITION | | | | | 25,072,482 | 1,345,771 |
| Net Position - Beginning Balance (Restated) | | | | | <u>(69,581,657)</u> | <u>(16,657,698)</u> |
| NET POSITION - ENDING | | | | | <u>\$ (44,509,175)</u> | <u>\$ (15,311,927)</u> |

See accompanying Notes to Financial Statements.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

| ASSETS | General | Bond Redemption | Capital Reserve | Nonmajor Governmental Funds | Total |
|--|----------------------|----------------------------|----------------------------|--|----------------------|
| ASSETS | | | | | |
| Cash and Investments | \$ 19,925,399 | \$ 6,575,901 | \$ 731,586 | \$ 5,683,272 | \$ 32,916,158 |
| Restricted Cash | - | - | 7,422,212 | - | 7,422,212 |
| Accounts Receivable | 98,414 | - | - | 275,622 | 374,036 |
| Taxes Receivable | 761,093 | 191,573 | - | - | 952,666 |
| Grants Receivable | - | - | - | 443,240 | 443,240 |
| Due from Other Funds | - | 12,196 | 398,883 | 1,340,845 | 1,751,924 |
| Inventories | 169,555 | - | - | 32,703 | 202,258 |
| Total Assets | <u>\$ 20,954,461</u> | <u>\$ 6,779,670</u> | <u>\$ 8,552,681</u> | <u>\$ 7,775,682</u> | <u>\$ 44,062,494</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 380,506 | \$ - | \$ 16,380 | \$ 155,214 | \$ 552,100 |
| Accrued Salaries and Benefits | 5,049,898 | - | - | 247,240 | 5,297,138 |
| Due to Component Unit | 127,630 | - | - | - | 127,630 |
| Due to Other Funds | 1,320,689 | - | - | 431,235 | 1,751,924 |
| Unearned Revenues | 4,850 | - | - | 543,032 | 547,882 |
| Total Liabilities | <u>6,883,573</u> | <u>-</u> | <u>16,380</u> | <u>1,376,721</u> | <u>8,276,674</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Property Tax Revenues | 212,731 | 78,195 | - | - | 290,926 |
| Total Deferred Inflows of Resources | <u>212,731</u> | <u>78,195</u> | <u>-</u> | <u>-</u> | <u>290,926</u> |
| FUND BALANCES | | | | | |
| Nonspendable Inventories | 169,555 | - | - | 32,703 | 202,258 |
| Restricted for: | | | | | |
| Debt Service | - | 6,701,475 | - | - | 6,701,475 |
| Food Services | - | - | - | 616,347 | 616,347 |
| Capital Projects | - | - | 7,422,212 | - | 7,422,212 |
| TABOR Reserve | 2,041,616 | - | - | - | 2,041,616 |
| Committed to: | | | | | |
| Retirement Payments | 186,823 | - | - | - | 186,823 |
| Capital Projects | - | - | 1,114,089 | - | 1,114,089 |
| Pupil Activities | - | - | - | 2,129,252 | 2,129,252 |
| Assigned to: | | | | | |
| Subsequent Year Budget | 3,579,912 | - | - | - | 3,579,912 |
| Capital Projects | - | - | - | 2,969,218 | 2,969,218 |
| Transportation | - | - | - | 651,441 | 651,441 |
| Unassigned | 7,880,251 | - | - | - | 7,880,251 |
| Total Fund Balances | <u>13,858,157</u> | <u>6,701,475</u> | <u>8,536,301</u> | <u>6,398,961</u> | <u>35,494,894</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 20,954,461</u> | <u>\$ 6,779,670</u> | <u>\$ 8,552,681</u> | <u>\$ 7,775,682</u> | <u>\$ 44,062,494</u> |

See accompanying Notes to Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

| | |
|--|-------------------------------|
| Total Governmental Fund Balance | \$ 35,494,894 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 82,304,338 |
| Property taxes and other revenues - Revenues that do not provided current financial resources are unavailable on the governmental fund financial statements but recognized on the government-wide financial statements. | 290,926 |
| Long-term liabilities, including bonds payable, certification of participation, compensated absences, other postemployment benefits, and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds: | |
| Bonds Payable | (43,510,000) |
| Capital Lease Payable | (7,850,205) |
| Premium on Bond Issuance | (2,467,199) |
| Compensated Absences | (2,528,054) |
| Service Bonus | (158,305) |
| Accrued Interest Payable | (125,278) |
| Net Pension Liability | (90,231,104) |
| Net OPEB Liability | (3,280,317) |
| Loss on bond refunding not available to pay current expenditures and, therefore, classified as deferred outflow of resources in the funds: | |
| Loss on Bond Refunding | 1,510,005 |
| Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | |
| Related to Pension | 24,815,180 |
| Related to OPEB | 266,258 |
| Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | |
| Related to Pension | (37,854,546) |
| Related to OPEB | (1,185,768) |
| Net Position of Governmental Activities | <u><u>\$ (44,509,175)</u></u> |

See accompanying Notes to Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

| | General | Bond Redemption Services | Capital Reserve | Other Governmental Funds | Total |
|--|----------------------|---|----------------------------|---|----------------------|
| REVENUES | | | | | |
| Local Sources | \$ 21,557,122 | \$ 6,573,042 | \$ 960 | \$ 2,314,195 | \$ 30,445,319 |
| State Sources | 35,756,987 | - | - | 1,864,914 | 37,621,901 |
| Federal Sources | - | - | - | 5,256,188 | 5,256,188 |
| Other | - | - | - | 246 | 246 |
| Total Revenues | <u>57,314,109</u> | <u>6,573,042</u> | <u>960</u> | <u>9,435,543</u> | <u>73,323,654</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Instruction | 33,588,807 | - | - | 5,456,999 | 39,045,806 |
| Supporting Services | 20,823,802 | - | - | 4,508,319 | 25,332,121 |
| Capital Outlay | 30,639 | - | 1,566,885 | 717,547 | 2,315,071 |
| Debt Service: | | | | | |
| Principal | - | 4,485,000 | 109,600 | - | 4,594,600 |
| Interest and Fiscal Charges | - | 2,070,808 | 4,717 | - | 2,075,525 |
| Total Expenditures | <u>54,443,248</u> | <u>6,555,808</u> | <u>1,681,202</u> | <u>10,682,865</u> | <u>73,363,123</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 2,870,861 | 17,234 | (1,680,242) | (1,247,322) | (39,469) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| General Obligation issuance | - | 19,415,000 | - | - | 19,415,000 |
| Proceeds from Capital Lease | - | - | 7,959,805 | - | 7,959,805 |
| Payment to refunded bond escrow agent | - | (19,196,460) | - | - | (19,196,460) |
| Transfers In | - | - | 838,337 | 1,870,963 | 2,709,300 |
| Transfers Out | (2,709,300) | - | - | - | (2,709,300) |
| Sale of Capital Assets | - | - | - | 71,966 | 71,966 |
| Total Other Financing Sources (Uses) | <u>(2,709,300)</u> | <u>218,540</u> | <u>8,798,142</u> | <u>1,942,929</u> | <u>8,250,311</u> |
| NET CHANGE IN FUND BALANCES | 161,561 | 235,774 | 7,117,900 | 695,607 | 8,210,842 |
| Fund Balances - Beginning (Restated) | <u>13,696,596</u> | <u>6,465,701</u> | <u>1,418,401</u> | <u>5,703,354</u> | <u>27,284,052</u> |
| FUND BALANCES - ENDING | <u>\$ 13,858,157</u> | <u>\$ 6,701,475</u> | <u>\$ 8,536,301</u> | <u>\$ 6,398,961</u> | <u>\$ 35,494,894</u> |

See accompanying Notes to Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

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

| | |
|---|---------------|
| Net Change in Fund Balances of Governmental Funds | \$ 8,210,842 |
| <p>Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeded capital outlay in the current year.</p> | |
| Capital Outlay | 2,387,758 |
| Depreciation Expense | (3,040,396) |
| Net Book Value of Disposal | (1,472,263) |
| <p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:</p> | |
| Payment of Principal Includes: | |
| Debt Payments | 4,485,000 |
| Capital Lease Payments | 109,600 |
| Amortization of Deferred Loss on Refunding | (399,498) |
| Amortization of Bond Premium/Discount | 622,860 |
| Accrued Interest | 49,126 |
| Payment to Escrow | 19,196,460 |
| Bond Proceeds | (19,415,000) |
| Capital Lease Proceeds | (7,959,805) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in government funds.</p> | |
| Earned but Unavailable Revenue | (71,027) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The (increase) decrease in these activities consist of the following:</p> | |
| Accrued Compensated Absences | (297,541) |
| Service Bonus | 3,041 |
| OPEB Expense | 241,186 |
| Pension Expense | 22,422,139 |
| Change in Net Position of Governmental Activities | \$ 25,072,482 |

See accompanying Notes to Financial Statements.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The El Paso County School District #38 - Lewis-Palmer (the District) was consolidated in 1949. The District provides educational services to the residents of the northern section of El Paso County, Colorado. The District is governed by a five-member Board of Education.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the District, organizations for which the District is financially accountable and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments and offices that are not legally separate, are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the District.

Based upon the application of this criteria, the District includes the Monument Academy Charter School (the School) within its reporting entity. The School is a public school authorized by State statutes to provide alternatives for parents, pupils and teachers. The School is fiscally dependent on the District and its exclusion would render the District's financial statements incomplete. Since the School has a separately elected board, the balances and transactions of the School are discretely presented in the financial statements. Separate financial statements for the School may be obtained by contacting the School at 1150 Village Ridge Point, Monument, Colorado 80132.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the District is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for the governmental funds. Major individual governmental and proprietary funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers grant revenues to be available if they are collected within 180 days of the end of the current year. Property taxes and other revenues are considered available if collected within 60 days of year-end.

Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

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, are recorded only when payment is due.

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

In the fund financial statements, the District reports the following major governmental funds:

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

The *Bond Redemption Fund* accounts for property taxes and other revenues restricted for the payment of long-term debt obligations.

The *Capital Reserve (capital projects fund)* is used to accumulate resources, for the acquisition, renovation and maintenance of capital assets.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the District reports the following funds:

The *Grants Fund (special revenue fund)* is used to account for the proceeds of specific revenue sources that are restricted to expenditure for specific purposes other than debt services or capital projects.

The *Pupil Activity Fund (special revenue fund)* is used to account for the revenues and expenditures of sponsoring athletic events and other student activities at the District's schools.

The *Transportation Fund (special revenue fund)* is used to account for the revenues and expenditures of providing transportation for the students of the District.

The *Building Reserve Fund (capital projects fund)* is used to account for and report financial resources that are restricted to expenditures of capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *Food Service Fund (special revenue fund)* accounts for the financial activities associated with the District's breakfast and lunch program.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position

Cash and Investments

The District utilizes the pooled cash concept whereby cash balances of each of the District's funds are pooled and invested by the District. All investments are reported at fair value.

Accounts Receivable

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied in the current year but not received at year-end are identified as taxes receivable and are presented net of an allowance for uncollectible taxes.

Interfund Receivables/Payables

Receivables and payables between individual funds are classified in the fund financial statements as *due to* and *due from*.

Inventories

Materials and supplies inventories are stated at average cost. Food Service Fund inventories consist of purchased and donated commodities. Donated inventories, received at no cost under a program supported by the federal government, are valued based upon the acquisition value provided by the federal government. General Fund inventory consist of janitorial, education, and fuel supplies.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories (Continued)

Inventories are recorded as an asset when individual items are purchased and as an expenditure when consumed.

Capital Assets

Capital assets, which include land, site improvements, buildings and improvements, transportation equipment, and other equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital outlay from the statement of revenues, expenditures, and changes in fund balance in excess of what is capitalized on the statement of net position is charged to support services of the governmental activities.

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.

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

| | |
|--------------------------|---------------|
| Buildings | 50 Years |
| Improvements | 20 Years |
| Transportation Equipment | 10 Years |
| Other Equipment | 3 to 15 Years |

Accrued Salaries and Benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reflected as a liability in the financial statements.

Deferred Outflows 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 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. One item that qualifies for reporting in this category is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District refundings have resulted in deferred outflows of resources of \$1,510,005. See Notes 8 and 9 for deferred pension and OPEB outflows of resources.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Under Colorado law, all property taxes become due and payable in the calendar year following that in which they are levied. The District's property tax calendar for 2018 is as follows:

Tax Year

Beginning of fiscal year for taxes

- January 1

Assessed valuation initially certified by County Assessor

- August 25

Property tax levy by Board of Education for ensuing calendar year

- December 10

Tax levy certified to County Commissioners

- December 15

County Commissioners certify levy to County Treasurer

- January 10

Collection Year

Mailing of tax bills (lien date)

- January 1

First installment due

- February 28

Taxes due in full (unless installments elected by taxpayer)

- April 30

Second installment due

- June 15

As the taxes were not fully collected within the District's period of availability, the District has deferred inflows of resources from property tax collection at June 30, 2021, in the amount of \$290,926. Property taxes are remitted to the District by the El Paso County Treasurer by the tenth of the month following collections by the county, except for the months of March, May, and June in which the District receives an additional remittance from the El Paso County Treasurer for collections through the twentieth of such months.

Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment and classification. Generally, vacation days for twelve-month employees may only be accrued for one year. Other accrued compensated absences vest after five years of employment and are paid at termination.

These compensated absences are recognized as current salary costs when paid in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service Bonus

Employees hired before May 1, 1990, and employed with the District for 15 continuous years may receive a service bonus as part of termination benefits. Under this program, the bonus equals between 75% and 100% of the final annual compensation of each employee, and is paid pro rata over five years subsequent to termination. A long-term liability has been reported in the government-wide financial statements for the bonuses earned and accepted.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued 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 current expenditures/expenses.

Net Pension Liability

The District's governmental activities report a net pension liability as of June 30, 2021. The School is required to report their proportionate share of PERA's unfunded pension liability. See Note 8 for additional information.

On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of Colorado makes direct on-behalf payments for retirement benefits to Colorado PERA. Beginning on July 1, 2018, the State of Colorado is required to make a payment to PERA each year equal to \$225 million. PERA allocates the contribution to the trust funds of the State, School, Denver Public Schools, and Judicial Division Trust Funds of PERA, as proportionate to the annual payroll of each division. This annual payment is required on July 1st of each year thereafter until there are no unfunded actuarial accrued liabilities of any division of PERA that receives the direct distribution. The amount of on-behalf payments made for the District by the State of Colorado has been recorded in the fund financial statements. House Bill 20-1379 suspended the \$225 million direct distribution payable on July 1, 2020, therefore the District did not record on-behalf payments for fiscal year 2021.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

In addition to liabilities, the District's financial statements 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. See Note 8 and 9 for the deferred pension and OPEB inflows of resources.

Net Position/Fund Balances

In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. In the fund financial statements, governmental funds report committed fund balances when the Board of Education formally commits resources for a specific purpose through passage of a resolution. The Board of Education has delegated to the Superintendent and Chief Financial Officer the authority to assign fund balances to be used for specific purposes. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, District policy requires restricted fund balance to be used first, followed by committed, assigned, and unassigned balances.

Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact, including items that are not expected to be converted to cash.

Restricted fund balance includes amounts where constraints have been placed on the use of resources by either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Education. Committed 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 formal action (for example, resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education adopted a fund balance policy and as part of the policy delegated the authority to the Superintendent to assign amounts to be used for specific purposes. The District presents \$3,579,912 as assigned fund balance relating to budgeted expenditures exceeding budgeted revenues for the subsequent year's budget.

Unassigned fund balance represents residual fund balance that has not been restricted, committed or assigned. The General Fund is the only fund that reports a positive unassigned fund balance.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balances (Continued)

Net position is reported in the governmental activities and is classified as restricted, unrestricted, or net investment in capital assets. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. Net investment in capital assets includes the depreciated value of the capital assets less any associated debt that remains outstanding.

Budgetary Information

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

1. Within the fourth quarter of the fiscal year, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings and citizen reviews are conducted at special meetings and at regular Board of Education meetings to obtain taxpayer comments.
3. Prior to June 30, the budget is legally adopted by the Board of Education.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. The District issues a separate budget document after it is approved by the Board of Education.

Colorado Budget Law requires that all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. Where applicable, the Board of Education includes available fund balance in the amount appropriated in the annual Appropriations Resolution.

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

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

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS

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

| | |
|------------------------|-----------------------------|
| Cash on Hand | \$ 8,305 |
| Deposits | 6,871,831 |
| Cash with Fiscal Agent | - |
| Investments | <u>26,036,022</u> |
| Total | <u><u>\$ 32,916,158</u></u> |

Cash and investments are reported in the government-wide statement of net position:

| | |
|------------------------|-----------------------------|
| Cash Deposits | \$ 6,880,136 |
| Cash with Fiscal Agent | - |
| Investments | <u>26,036,022</u> |
| Total | <u><u>\$ 32,916,158</u></u> |

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2021, the District deposits are with eligible public depositories and are considered to be held in the name of the District.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States, certain U.S. Agency securities and World Bank
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices; Level 3 inputs are significant unobservable inputs.

As of June 30, 2021, the District had the following investments:

| <u>Investment Type</u> | <u>S&P Rating</u> | <u>Fair Value</u> | <u>Investment Maturity (in Years) Less than 1</u> |
|---------------------------------------|-----------------------|----------------------|---|
| Colorado Statewide Investment Program | | | |
| Local Government Investment Pool | AAAm | \$ 19,460,121 | \$ 19,460,121 |
| ColoTrust Plus+ Fund | AAAm | 6,575,901 | 6,575,901 |
| Total | | <u>\$ 26,036,022</u> | <u>\$ 26,036,022</u> |

At June 30, 2021, the District had \$6,575,901 invested in the Colorado Local Government Liquid Asset Trust (ColoTrust). ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating ColoTrust. ColoTrust is rated AAAM by Standard and Poor's. Investments of ColoTrust are limited to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments. ColoTrust records investments at fair value and the District at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

At June 30, 2021, the District had \$19,460,121 invested in the Colorado Statewide Investment Pool (CSIP). CSIP is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating CSIP. CSIP is rated AAAM by Standard and Poor's. Investments of CSIP are limited to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments. CSIP records investments at fair value and the District at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Interest Rate Risk

State statutes generally limit investments to an original maturity of five years unless the governing Board authorizes the investment for a period in excess of five years.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

State statutes limit investments to those with specified ratings, as provided by nationally recognized statistical rating organizations, depending on the investment type.

NOTE 3 INTERFUND BALANCES AND TRANSACTIONS

Interfund receivables and payables and transfers as of and during the year ended June 30, 2021, consisted of the following:

| <u>Fund</u> | <u>Due From</u> | <u>Due To</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | \$ - | \$ 1,320,689 | \$ - | \$ 2,709,300 |
| Bond Redemption Fund | 12,196 | - | - | - |
| Food Service Fund | 177,327 | - | - | - |
| Grants Fund | 111,419 | - | - | - |
| Pupil Activity Fund | - | 431,235 | 30,000 | - |
| Transportation Fund | 860,045 | - | 1,840,963 | - |
| Building Reserve Fund | 192,054 | - | - | - |
| Capital Reserve Fund | 398,883 | - | 838,337 | - |
| | <u>\$ 1,751,924</u> | <u>\$ 1,751,924</u> | <u>\$ 2,709,300</u> | <u>\$ 2,709,300</u> |

The interfund receivables and payables are for reimbursements from the funds responsible for particular expenditures to the funds that initially paid for them.

The General Fund routinely subsidizes the middle and high school activities through transfers to the Pupil Activity Fund, subsidizes transportation costs through transfers to the Transportation Fund, and transfers certain amounts to the Capital Reserve Fund for technology and maintenance costs.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is summarized below:

| | <u>Balances</u> <u>6/30/2020</u> | <u>Additions</u> | <u>Transfers</u> | <u>Deletions</u> | <u>Balances</u> <u>6/30/2021</u> |
|--|-------------------------------------|---------------------|------------------|-----------------------|-------------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Capital Assets Not Being Depreciated: | | | | | |
| Land | \$ 9,229,830 | \$ - | \$ - | \$ - | \$ 9,229,830 |
| Construction in Process | 1,620,484 | 1,114,351 | (828,837) | (1,396,500) | 509,498 |
| Site Improvements | 81,537 | - | - | - | 81,537 |
| Total Capital Assets Not Being Depreciated | 10,931,851 | 1,114,351 | (828,837) | (1,396,500) | 9,820,865 |
| Capital Assets Being Depreciated: | | | | | |
| Buildings and Improvements | 126,643,488 | 77,284 | 828,837 | (182,791) | 127,366,818 |
| Site Improvements | 4,784,859 | - | - | - | 4,784,859 |
| Transportation Equipment | 5,540,927 | 537,593 | - | (550,022) | 5,528,498 |
| Other Equipment | 2,815,486 | 658,530 | - | (27,987) | 3,446,029 |
| Total Capital Assets Being Depreciated | 139,784,760 | 1,273,407 | 828,837 | (760,800) | 141,126,204 |
| Less Accumulated Depreciation for: | | | | | |
| Buildings and Improvements | (57,682,629) | (2,439,983) | - | 109,725 | (60,012,887) |
| Site Improvements | (1,911,923) | (199,697) | - | - | (2,111,620) |
| Transportation Equipment | (4,437,426) | (246,088) | - | 550,022 | (4,133,492) |
| Other Equipment | (2,255,394) | (154,628) | - | 25,290 | (2,384,732) |
| Total Accumulated Depreciation | (66,287,372) | (3,040,396) | - | 685,037 | (68,642,731) |
| Total Capital Assets, Being Depreciated, Net | 73,497,388 | (1,766,989) | 828,837 | (75,763) | 72,483,473 |
| Governmental Activities Capital Assets, Net | <u>\$ 84,429,239</u> | <u>\$ (652,638)</u> | <u>\$ -</u> | <u>\$ (1,472,263)</u> | <u>\$ 82,304,338</u> |

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

| | |
|--------------------------|---------------------|
| Governmental Activities: | |
| Instruction | \$ 2,584,337 |
| Support Services | 456,059 |
| Total | <u>\$ 3,040,396</u> |

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2021:

| | Balance at June 30, 2020 | Additions | Payments | Balance at June 30, 2021 | Due Within One Year |
|--------------------------------|--------------------------------|----------------------|----------------------|--------------------------------|---------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| General Obligation Bonds: | | | | | |
| Series 2012B Refunding Bonds | \$ 18,010,000 | \$ - | \$ 17,890,000 | \$ 120,000 | \$ 60,000 |
| Series 2012A Refunding Bonds | 20,250,000 | - | 2,985,000 | 17,265,000 | 3,125,000 |
| Series 2020 Refunding Bonds | - | 19,415,000 | - | 19,415,000 | 270,000 |
| Series 2001 Refunding Bonds | 8,150,000 | - | 1,440,000 | 6,710,000 | 1,530,000 |
| Bond Premiums | 4,369,000 | - | 1,901,801 | 2,467,199 | 459,708 |
| Total General Obligation Bonds | <u>50,779,000</u> | <u>19,415,000</u> | <u>24,216,801</u> | <u>45,977,199</u> | <u>5,444,708</u> |
| Capital Lease | - | 7,959,805 | 109,600 | 7,850,205 | 102,761 |
| Total Capital Lease | <u>-</u> | <u>7,959,805</u> | <u>109,600</u> | <u>7,850,205</u> | <u>102,761</u> |
| Service Bonus | 161,346 | 128,281 | 131,322 | 158,305 | 67,169 |
| Accrued Compensated Absences | 2,230,513 | 622,651 | 325,110 | 2,528,054 | 632,014 |
| Total | <u>\$ 53,170,859</u> | <u>\$ 28,125,737</u> | <u>\$ 24,782,833</u> | <u>\$ 56,513,763</u> | <u>\$ 6,246,652</u> |

Compensated absences and service bonus are expected to be liquidated with revenues of the General Fund.

General Obligation Bonds

\$19,415,000 General Obligation Refunding Bonds, Series 2020, were issued to refund the General Obligation Bonds, Series 2012B. Principal payments are due annually on December 1, through 2030. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2% to 5%.

\$18,440,000 General Obligation Refunding Bonds, Series 2012B, were issued to refund a portion of the General Obligation Bonds, Series 2006. Principal payments are due annually on December 1, through 2029. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2% to 5%.

\$29,035,000 General Obligation Refunding Bonds, Series 2012A, were issued to refund a portion of the General Obligation Bonds, Series 2006. Principal payments are due annually on December 1, through 2025. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2% to 5%.

\$18,204,980 General Obligation Refunding Bonds, Series 2001 (\$17,950,000 original issue, \$354,990 capital appreciation), were issued to refund a portion of the General Obligation Bonds, Series 2000. Principal payments are due annually on December 1, through 2024. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 3% to 6%. Principal payments on the capital appreciation bonds were due on December 1, 2011 and 2012.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 LONG-TERM DEBT (CONTINUED)

Capital Lease

\$7,422,212 Capital Lease for energy efficient improvements within the District. Principal payments are due annually on July 1, through 2042. Interest payments accruing at rate of 2.497%.

\$537,593 Capital Lease for buses within the District. Principal payments are due annually on August 25, through 2024. Interest payments accruing at rate of 2.7%.

Bond payments, to maturity, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|----------------------|---------------------|----------------------|
| 2022 | \$ 4,985,000 | \$ 1,385,939 | \$ 6,370,939 |
| 2023 | 5,215,000 | 1,130,360 | 6,345,360 |
| 2024 | 5,490,000 | 860,620 | 6,350,620 |
| 2025 | 5,765,000 | 575,699 | 6,340,699 |
| 2026 | 4,120,000 | 333,034 | 4,453,034 |
| 2027-2030 | 17,935,000 | 519,772 | 18,454,772 |
| Total | <u>\$ 43,510,000</u> | <u>\$ 4,805,424</u> | <u>\$ 48,315,424</u> |

Capital Lease payments, to maturity, are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|---------------------|----------------------|
| 2022 | \$ 102,761 | \$ 11,556 | \$ 114,317 |
| 2023 | 270,210 | 197,717 | 467,928 |
| 2024 | 292,775 | 187,153 | 479,928 |
| 2025 | 312,305 | 179,623 | 491,928 |
| 2026 | 218,013 | 171,598 | 389,611 |
| 2027-2031 | 1,386,412 | 766,641 | 2,153,053 |
| 2032-2036 | 1,968,279 | 565,774 | 2,534,053 |
| 2037-2042 | 3,299,449 | 301,250 | 3,600,699 |
| Total | <u>\$ 7,850,205</u> | <u>\$ 2,381,311</u> | <u>\$ 10,231,515</u> |

Service Bonus

Service bonus payments, to maturity, are as follows.

| <u>Year Ended June 30,</u> | <u>Amount</u> |
|----------------------------|-------------------|
| 2022 | \$ 67,169 |
| 2023 | 39,823 |
| 2024 | 25,656 |
| 2025 | 25,657 |
| Total | <u>\$ 158,305</u> |

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 LONG-TERM DEBT (CONTINUED)

Defeased Debt

In August 2014, the School did an advance payment and deposited funds in an irrevocable trust with an escrow agent to provide for all future debt service payments for \$3,010,000 on the COPs Series 2010A and 2010B. Accordingly, the liability for the defeased debt has been removed from the District's financial statements. The total outstanding balance of the defeased debt at June 30, 2021 was \$2,505,000

In December 2020, the District issued bonds of \$19,415,000 for the purpose of refunding a portion of the 2012B Series Bonds. The proceeds of these bonds were placed in an irrevocable trust to provide the future debt service payments on the defeased bonds that have a call date of 12/15/2025. The trust account assets and the liabilities for the defeased bonds are not included in the District's basic financial statements. At June 30, 2021, the defeased debt was \$17,830,000.

The District refunded the 2012B Series bonds had \$1.9 million of an economic gain.

The District is subject to a legal debt limit of \$117,965,774.

NOTE 6 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District accounts for and finances its risk activities in the General Fund.

The District purchases commercial insurance for its workers compensation risks. For its general liability risks and risk of property loss or damage, the District participates in the Colorado School Districts Self-Insurance Pool (CSDSIP). There have been no significant changes in the insurance programs from the prior year. For the prior three years, the amount of claims payments for property and liability insurance has not exceeded the amount of insurance coverage.

The CSDSIP is a public entity risk pool currently operating as a common risk management and insurance program with member school districts, Board of Cooperative Educational Services, and charter schools. The District pays an annual premium to the CSDSIP for its property, casualty, and liability insurances. The CSDSIP retains liability losses up to \$750,000 per occurrence and purchases reinsurance coverage of \$9,250,000 per occurrence in excess of the Pool retention. The CSDSIP property insurance policy provides limits up to \$1,000,000,000 per occurrence subject to the Pool retention of \$1,000,000 per occurrence. Flood and earthquake coverage is provided by the CSDSIP has limits of \$100,000,000 per occurrence/aggregate for the entire pool.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 JOINTLY GOVERNED ORGANIZATION

The District, in conjunction with other surrounding districts, created the Pikes Peak Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost. The BOCES Board is comprised of one member from each participating district. During the year ended June 30, 2021, the District contributed \$320,013 to the BOCES. The BOCES financial statements can be obtained at its administrative office located at 4825 Lorna Place, Colorado Springs, Colorado 80915.

NOTE 8 DEFINED BENEFIT PENSION PLAN

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

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

General Information about the Pension Plan

Plan Description

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

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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

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

In all cases the service retirement benefit is limited to 100 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.

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.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.00 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 District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$6,218,419 for the year ended June 30, 2021.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The net pension liability for the SCHDTF was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The District proportion of the net pension liability was based on the District 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 District reported a liability of \$90,231,104 for its proportionate share of the net pension liability.

At December 31, 2020, the District proportion was 0.59685 percent, which was an increase of 0.05062 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension expense of (\$25,493,738). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference Between Expected and Actual Experience | \$ 4,957,751 | \$ - |
| Changes of Assumptions or other Inputs | 8,679,952 | 15,167,085 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 19,861,919 |
| Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions | 8,105,879 | 2,825,542 |
| Contributions Subsequent to the Measurement Date | 3,071,598 | - |
| Total | \$ 24,815,180 | \$ 37,854,546 |

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$3,071,598 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:

| <u>Year Ended June 30:</u> | |
|----------------------------|-----------------|
| 2022 | \$ (15,101,794) |
| 2023 | 4,559,878 |
| 2024 | (2,435,718) |
| 2025 | (3,133,330) |
| 2026 | - |
| Thereafter | - |

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% |
| Future Post Retirement Benefit Increases: | |
| PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic) | 1.25% Compounded Annually Annually |
| PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic) | Financed by the Annual Increase Reserve |

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 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 #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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% |
| Future Post Retirement Benefit Increases: | |
| PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic) | 1.25% Compounded Annually Annually |
| PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic) | Financed by the Annual Increase Reserve |

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.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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 #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>30-Year Expected Geometric Real Rate of Return</u> |
|---------------------------|--------------------------|---|
| 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 | <u>100.00</u> | |

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 #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Sensitivity of the District 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 | \$ 123,082,615 | \$ 90,231,104 | \$ 62,854,969 |

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 #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

Plan Description

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

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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.

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.

DPS Benefit Structure

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

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

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from District were \$319,054 for the year ended June 30, 2021.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

At June 30, 2021, the District reported a liability of \$3,280,317 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 District proportion of the net OPEB liability was based on the District 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 District proportion was 0.34522 percent, which was a decrease of 0.01175 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of (\$398,783). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference Between Expected and Actual Experience | \$ 8,706 | \$ 721,171 |
| Changes of Assumptions or Other Inputs | 24,510 | 201,146 |
| Net Difference Between Projected and Actual Earnings on OPEB Plan Investments | - | 134,037 |
| Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions | 75,445 | 129,414 |
| Contributions Subsequent to the Measurement Date | 157,597 | - |
| Total | \$ 266,258 | \$ 1,185,768 |

\$157,597 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, | Amount |
|---------------------|--------------|
| 2022 | \$ (238,150) |
| 2023 | (219,398) |
| 2024 | (251,111) |
| 2025 | (249,425) |
| 2026 | (111,714) |
| Thereafter | (7,309) |

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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 the 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 | |
| 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% for 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:

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

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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 used to measure the total OPEB liability are summarized in the table below:

| <u>Year</u> | <u>PERACare Medicare Plans</u> | <u>Medicare Part A Premiums</u> |
|-------------|------------------------------------|-------------------------------------|
| 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.

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

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

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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% | 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.

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

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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.

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.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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 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.

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.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>30-Year Expected Geometric Real Rate of Return</u> |
|---------------------------|------------------------------|---|
| 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 | <u>100.00</u> | |

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.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

| | <u>1% Decrease in Trend Rates</u> | <u>Current Trend Rates</u> | <u>1% Increase in Trend Rates</u> |
|---|---------------------------------------|--------------------------------|---------------------------------------|
| 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% |
| Proportionate Share of the Net OPEB Liability | \$ 3,195,532 | \$ 3,280,317 | \$ 3,378,327 |

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Discount Rate

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

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

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 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 | \$ 3,757,662 | \$ 3,280,317 | \$ 2,872,463 |

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Plan Fiduciary Net Position

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

NOTE 10 COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2021, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, will not have a material effect on the overall financial position of the District.

TABOR Amendment

In November 1992, Colorado voters passed an amendment to Article X, Section 20, of the State Constitution (the Amendment) which limits state and local government taxing powers and imposes spending limitations. In November 2000, voters within the District authorized the District to collect, retain, and expend all revenues received in 2000 and any year thereafter. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

The Amendment requires the District to establish a reserve for emergencies, representing 3% of qualifying revenue. At June 30, 2021, the District's reserve of \$2,041,616 was reported as restricted fund balance in the General Fund.

Litigation

The District is involved in various pending or threatened litigation. The outcome of these matters cannot be predicted at this time.

NOTE 11 COMPONENT UNIT

The District has one discretely presented component unit.

Charter Schools

In 1993, the State of Colorado Legislature enacted the "Charter School Act – Colorado Revised Statutes (CRS) Section 22-30.5-101," which permits the District to contract with individuals and organizations for the operation of charter schools within the District. The charter school is financed by a portion of the District's School Finance Act Revenues (based on student enrollment) and state and federal grants, as well as other revenues generated by the charter school. The District's Board of Education must approve all charter school applications; however, they have their own separate governing boards.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 COMPONENT UNIT (CONTINUED)

Separately issued financial statements for the District’s charter school are available at the address noted below:

Monument Academy, 1150 Village Ridge Point, Monument, CO 80132.

Certain note disclosures for the charter schools are as follows (from its separately-issued audited financial statements):

Significant Accounting Policies

The charter school’s financial information included with the District’s financial statements represents the government-wide financial statements for the charter school. The government-wide financial statements for the charter school 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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Other accounting policies are similar to the District.

Cash and Investments

Cash and investments are reflected on the June 30, 2021 statement of net position as the following:

Cash and Investments Per the Government-Wide
Statement of Net Position

| | |
|---------------------------------|----------------------------|
| Cash and Deposit | \$ 3,312,485 |
| Restricted Cash and Investments | 3,456,268 |
| Total | <u><u>\$ 6,768,753</u></u> |

Charter schools are required to comply with State statutes which specify investment instruments meeting defined rating, maturity, custodial and concentration risk criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers’ acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

As of June 30, 2021, the charter school had the following investments:

| <u>Investment</u> | <u>Maturity Less than One Year</u> | <u>Maturity 1 - 5 Years</u> | <u>Maturity 6-10 Years</u> | <u>Standard & Poor’s Rating</u> | <u>Total</u> | <u>Concentration</u> |
|-------------------------|--|-------------------------------------|------------------------------------|---|----------------------------|----------------------|
| CSAFE | \$ 1,902,101 | \$ - | \$ - | AAAm | \$ 1,902,101 | 55.0% |
| Caval Hill Money Market | 1,554,167 | - | - | AAAm | 1,554,167 | 45.0% |
| Total | <u><u>\$ 3,456,268</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | | <u><u>\$ 3,456,268</u></u> | <u><u>100.0%</u></u> |

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 COMPONENT UNIT (CONTINUED)

The School invested \$1,554,167 in money market accounts with Bank of Arizona. A designated custodial bank provides safekeeping and depository services in connection with these money market accounts. Money market investments are exempt from fair value measurement and are measured at amortized cost.

At June 30, 2021, the School had \$1,902,101 invested in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating CSAFE. CSAFE is rated AAAM by Standard & Poor's. Investments of CSAFE are limited to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value of \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments. CSAFE records investments at amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice.

Capital Assets

Changes in capital assets for the year ended June 30, 2021 are summarized as follows:

| | <u>Balance</u> <u>June 30, 2019</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance</u> <u>June 30, 2020</u> |
|--------------------------------|--|---------------------|------------------|------------------|--|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Nondepreciable Assets | | | | | |
| Construction in Process | \$ 18,738,504 | \$ 3,896,489 | \$ - | \$ (22,634,993) | \$ - |
| Land | 2,265,187 | - | - | - | 2,265,187 |
| Total Nondepreciable Assets | 21,003,691 | 3,896,489 | - | (22,634,993) | 2,265,187 |
| Depreciable Assets | | | | | |
| Buildings and Improvements | 12,293,513 | - | - | 21,732,224 | 34,025,737 |
| Equipment | 21,319 | 26,610 | (21,319) | 902,769 | 929,379 |
| Total Depreciable Assets | 12,314,832 | 26,610 | (21,319) | 22,634,993 | 34,955,116 |
| Less Accumulated Depreciation | | | | | |
| Buildings and Improvements | (3,744,222) | (940,896) | - | - | (4,685,118) |
| Equipment | (21,973) | (77,172) | 21,319 | - | (77,826) |
| Total Accumulated Depreciation | (3,766,195) | (1,018,068) | 21,319 | - | (4,762,944) |
| Total Capital Assets, Net | <u>\$ 29,552,328</u> | <u>\$ 2,905,031</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 32,457,359</u> |

LONG-TERM LIABILITIES AND OPERATING LEASES

The following is a summary of the School's long-term debt transactions for the year ended June 30, 2021:

| | <u>Balance at</u> <u>June 30, 2020</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance at</u> <u>June 30, 2021</u> | <u>Due Within</u> <u>One Year</u> |
|--------------------------------|---|------------------|--------------------|---|--------------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Compensated Absences | \$ 28,694 | \$ 48,193 | \$ 43,693 | \$ 33,194 | \$ - |
| Building Loans - Series 2014 | 12,510,000 | - | 415,000 | 12,095,000 | 435,000 |
| Building Loans Premium | 306,666 | - | 15,727 | 290,939 | 15,727 |
| Building Loans - Series 2019 | 28,950,000 | - | - | 28,950,000 | - |
| Total | <u>\$ 41,795,360</u> | <u>\$ 48,193</u> | <u>\$ 474,420</u> | <u>\$ 41,369,133</u> | <u>\$ 450,727</u> |

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 COMPONENT UNIT (CONTINUED)

During December 2014, the School entered into a refunding transaction whereby the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$14,265,000 Charter School revenue Bonds. The School is obligated under a lease agreement to make monthly payments to the Corporation for the use of the facilities. The School is required to make loan payments to the Trustee for the payment of the bonds. The bonds accrue interest at rates ranging from 3.625% to 5.00% per annum. Interest payments are due semi-annually on April 1 and October 1. Principal payments are due annually on October 1.

The following schedule reflects the debt service requirements to maturity of the Series 2014 debt as of June 30, 2021:

| <u>Year Ended June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|----------------------|---------------------|----------------------|
| 2022 | \$ 435,000 | \$ 487,638 | \$ 922,638 |
| 2023 | 450,000 | 469,938 | 919,938 |
| 2024 | 470,000 | 451,538 | 921,538 |
| 2025 | 490,000 | 432,338 | 922,338 |
| 2026 | 505,000 | 409,912 | 914,912 |
| 2027-2031 | 2,850,000 | 1,744,968 | 4,594,968 |
| 2032-2036 | 3,520,000 | 1,052,725 | 4,572,725 |
| 2037-2040 | 3,375,000 | 276,700 | 3,651,700 |
| Total | <u>\$ 12,095,000</u> | <u>\$ 5,325,757</u> | <u>\$ 17,420,757</u> |

During July 2019, the Public Finance Authority issued its Education Revenue Bonds (Monument Academy Foundation Project) as Series 2019A and 2019B, in the amount of \$28,950,000. The bonds were used for the Foundation Fund's capital expenditures relating to the construction of a new high school and to fund a debt reserve fund, to pay the initial interest payments of the Series 2019A and 2019B bonds, and to pay for the cost of issuance of the Series 2019A and 2019B bonds. The Public Finance Authority and Foundation have entered into a loan agreement wherein the proceeds of the Public Finance Authority bonds have been loaned to the Foundation. The bonds accrue interest at rates ranging from 5% to 6.75% per annum. Interest payments are due semi-annually on June 1st and December 1st. Principal payments are due annually beginning on June 1, 2023 with the final payment due on June 1, 2026.

The following schedule reflects the debt service requirements to maturity of the Series 2019 debt as of June 30, 2021:

| <u>Year Ended June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|----------------------|---------------------|----------------------|
| 2022 | \$ - | \$ 1,451,438 | \$ 1,451,438 |
| 2023 | 380,000 | 1,451,438 | 1,831,438 |
| 2024 | 405,000 | 1,428,500 | 1,833,500 |
| 2025 | 425,000 | 1,408,250 | 1,833,250 |
| 2026 | 27,740,000 | 1,387,000 | 29,127,000 |
| Total | <u>\$ 28,950,000</u> | <u>\$ 7,126,626</u> | <u>\$ 36,076,626</u> |

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 RESTATEMENT

During the year ended June 30, 2021, The School adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of implementing this guidance, the School determined that the previously reported fiduciary fund for student activities does not meet the updated guidance for a fiduciary fund and has been reclassified to a special revenue fund. Beginning fund balance of the Student Activity special revenue fund was restated by \$1,792,469. In addition, Net Position of the School has been restated by \$1,792,469 as a result of the reclassification of the Student Activity Fund from a fiduciary fund to a special revenue fund.

REQUIRED SUPPLEMENTARY INFORMATION

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|-----------------------|---|
| REVENUES | | | | |
| Local Sources: | | | | |
| Property Taxes | \$ 17,713,300 | \$ 17,713,300 | \$ 17,885,103 | \$ 171,803 |
| Specific Ownership Taxes | 2,933,307 | 2,933,307 | 2,831,517 | (101,790) |
| Tuition from Individuals | 285,120 | 285,120 | 177,359 | (107,761) |
| Rental Income | 85,000 | 85,000 | 17,014 | (67,986) |
| Investment Income | 260,000 | 260,000 | 23,032 | (236,968) |
| Other | 480,157 | 637,489 | 623,097 | (14,392) |
| Total Local Sources | <u>21,756,884</u> | <u>21,914,216</u> | <u>21,557,122</u> | <u>(357,094)</u> |
| State Sources: | | | | |
| State Equalization | 30,803,017 | 25,019,864 | 34,231,877 | 9,212,013 |
| Exceptional Children's Education Act (ECEA) | 1,097,137 | 1,097,137 | 1,277,174 | 180,037 |
| Other | 208,047 | 208,047 | 247,936 | 39,889 |
| Total State Sources | <u>32,108,201</u> | <u>26,325,048</u> | <u>35,756,987</u> | <u>9,431,939</u> |
| Total Revenues | <u>53,865,085</u> | <u>48,239,264</u> | <u>57,314,109</u> | <u>9,074,845</u> |
| EXPENDITURES | | | | |
| Instruction: | | | | |
| Salaries | 19,199,747 | 17,608,183 | 17,453,777 | 154,406 |
| Employee Benefits | 6,321,532 | 6,321,532 | 5,930,610 | 390,922 |
| Purchased Services | 8,566,061 | 8,876,649 | 8,770,558 | 106,091 |
| Supplies and Materials | 1,032,639 | 1,032,639 | 1,433,862 | (401,223) |
| Capital Outlay | 12,800 | 12,800 | 4,894 | 7,906 |
| Total Instruction | <u>35,132,779</u> | <u>33,851,803</u> | <u>33,593,701</u> | <u>258,102</u> |
| Supporting Services: | | | | |
| Students: | | | | |
| Salaries | 2,215,675 | 2,215,675 | 2,308,569 | (92,894) |
| Employee Benefits | 718,065 | 718,065 | 681,246 | 36,819 |
| Purchased Services | 1,500 | 1,500 | 12,755 | (11,255) |
| Supplies and Materials | 17,200 | 17,200 | 11,994 | 5,206 |
| Total Students | <u>2,952,440</u> | <u>2,952,440</u> | <u>3,014,564</u> | <u>(62,124)</u> |

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2021**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|----------------------------------|----------------------------|-------------------------|------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Supporting Services (Continued): | | | | |
| Instructional Staff: | | | | |
| Salaries | \$ 1,752,310 | \$ 1,748,410 | \$ 1,668,449 | \$ 79,961 |
| Employee Benefits | 551,819 | 551,819 | 488,559 | 63,260 |
| Purchased Services | 118,780 | 118,780 | 116,290 | 2,490 |
| Supplies and Materials | 310,400 | 352,900 | 432,962 | (80,062) |
| Capital Outlay | 900 | 900 | 830 | 70 |
| Total Instructional Staff | <u>2,735,059</u> | <u>2,772,809</u> | <u>2,711,685</u> | <u>61,124</u> |
| General Administration: | | | | |
| Salaries | 282,092 | 282,092 | 343,499 | (61,407) |
| Employee Benefits | 83,731 | 83,731 | 77,926 | 5,805 |
| Purchased Services | 240,000 | 240,000 | 245,257 | (5,257) |
| Supplies and Materials | 43,504 | 43,504 | 45,108 | (1,604) |
| Capital Outlay | 42,500 | 322,500 | 24,000 | 298,500 |
| Other | 32,139 | 32,139 | 33,057 | (918) |
| Total General Administration | <u>723,966</u> | <u>1,003,966</u> | <u>768,847</u> | <u>235,119</u> |
| School Administration: | | | | |
| Salaries | 2,388,807 | 2,388,807 | 2,419,918 | (31,111) |
| Employee Benefits | 800,177 | 800,177 | 760,391 | 39,786 |
| Purchased Services | 103,839 | 103,839 | 30,373 | 73,466 |
| Supplies and Materials | 12,700 | 12,700 | 6,333 | 6,367 |
| Other | 6,515 | 6,515 | 11,207 | (4,692) |
| Total School Administration | <u>3,312,038</u> | <u>3,312,038</u> | <u>3,228,222</u> | <u>83,816</u> |
| Business Services: | | | | |
| Salaries | 547,349 | 1,260,611 | 1,050,125 | 210,486 |
| Employee Benefits | 166,428 | 166,428 | 140,446 | 25,982 |
| Purchased Services | 68,275 | 68,275 | 115,094 | (46,819) |
| Supplies and Materials | 40,300 | 40,300 | 25,270 | 15,030 |
| Other | - | - | 1,230 | (1,230) |
| Total Business Services | <u>822,352</u> | <u>1,535,614</u> | <u>1,332,165</u> | <u>203,449</u> |
| Operations and Maintenance: | | | | |
| Salaries | 2,434,961 | 2,434,961 | 2,464,154 | (29,193) |
| Employee Benefits | 860,935 | 860,935 | 835,007 | 25,928 |
| Purchased Services | 1,997,563 | 1,997,563 | 1,840,985 | 156,578 |
| Supplies and Materials | 1,820,100 | 1,820,100 | 1,537,255 | 282,845 |
| Capital Outlay | 53,200 | 53,200 | - | 53,200 |
| Total Operations and Maintenance | <u>7,166,759</u> | <u>7,166,759</u> | <u>6,677,401</u> | <u>489,358</u> |

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2021**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| EXPENDITURES (CONTINUED) | | | | |
| Supporting Services (Continued): | | | | |
| Student Transportation: | | | | |
| Salaries | \$ 14,334 | \$ 14,334 | \$ 11,880 | \$ 2,454 |
| Employee Benefits | - | - | 2,629 | (2,629) |
| Purchased Services | 48,342 | 48,342 | 43,708 | 4,634 |
| Total Student Transportation | <u>62,676</u> | <u>62,676</u> | <u>58,217</u> | <u>4,459</u> |
| Central Support: | | | | |
| Salaries | 1,023,294 | 1,023,294 | 1,096,103 | (72,809) |
| Employee Benefits | 351,044 | 351,044 | 336,650 | 14,394 |
| Purchased Services | 522,369 | 522,369 | 559,282 | (36,913) |
| Supplies and Materials | 393,626 | 512,726 | 411,306 | 101,420 |
| Capital Outlay | 320,000 | 320,000 | 915 | 319,085 |
| Other | 900 | 900 | 653,786 | (652,886) |
| Total Central Support | <u>2,611,233</u> | <u>2,730,333</u> | <u>3,058,042</u> | <u>(327,709)</u> |
| Community Services: | | | | |
| Salaries | - | - | 330 | (330) |
| Employee Benefits | - | - | 74 | (74) |
| Total Community Services | <u>-</u> | <u>-</u> | <u>404</u> | <u>(404)</u> |
| Total Support Services | <u>20,386,523</u> | <u>21,536,635</u> | <u>20,849,547</u> | <u>687,088</u> |
| Total Expenditures | 55,519,302 | 55,388,438 | 54,443,248 | 945,190 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,654,217) | (7,149,174) | 2,870,861 | 10,020,035 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | (2,664,000) | (2,664,000) | (2,709,300) | (45,300) |
| Total Other Financing Sources (Uses) | <u>(2,664,000)</u> | <u>(2,664,000)</u> | <u>(2,709,300)</u> | <u>(45,300)</u> |
| NET CHANGE IN FUND BALANCES | (4,318,217) | (9,813,174) | 161,561 | 9,974,735 |
| Fund Balance - Beginning | <u>11,923,104</u> | <u>10,656,878</u> | <u>13,696,596</u> | <u>(3,039,718)</u> |
| FUND BALANCE - ENDING | <u>\$ 7,604,887</u> | <u>\$ 843,704</u> | <u>\$ 13,858,157</u> | <u>\$ 6,935,017</u> |

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

NOTE 1 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- By May 31, management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to 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 line items within any fund rests with the Superintendent. Revisions that alter the total expenditures of any fund must be approved by the Board of Education. All annual appropriations lapse at fiscal year-end.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS**

| Fiscal Year | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| Plan Measurement Date | December 31, 2020 | December 31, 2019 | December 31, 2018 | December 31, 2017 | December 31, 2016 | December 31, 2015 | December 31, 2014 | December 31, 2013 |
| District's Proportion (Percentage) of the Collective Net Pension Liability | 0.596846177% | 0.546229243% | 0.547044568% | 0.613383771% | 0.606713384% | 0.611457602% | 0.621626763% | 0.617794423% |
| District's Proportionate Share of the Collective Pension Liability | \$ 90,231,104 | \$ 81,605,464 | \$ 96,865,477 | \$ 198,346,512 | \$ 180,642,036 | \$ 93,518,123 | \$ 84,251,307 | \$ 78,799,512 |
| State's Proportionate Share of the Net Pension Liability associated with the District ** | - | 10,350,615 | 13,245,009 | - | - | - | - | - |
| Total | \$ 90,231,104 | \$ 91,956,079 | \$ 110,110,486 | \$ 198,346,512 | \$ 180,642,036 | \$ 93,518,123 | \$ 84,251,307 | \$ 78,799,512 |
| Covered Payroll | 31,925,305 | 32,096,829 | 30,096,052 | 27,835,885 | 26,796,166 | 26,648,010 | 26,041,696 | 24,903,866 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 282.6% | 254.2% | 321.9% | 712.6% | 674.1% | 350.9% | 323.5% | 316.4% |
| 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% |

This schedule is presented to illustrate the requirement to show information for 10 years. Since years prior to 2013 were not reported in accordance with the current GASB standards, the information is not available.

**A direct distribution provision to allocate funds from the State of Colorado budget to Colorado PERA on an annual basis began in July 2018 based on Senate Bill 18-200. House Bill 20-1379 suspended the \$225 million direct distribution payable on July 1, 2020, therefore the State does not have a proportionate share of the net pension liability for fiscal year 2021.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS
YEAR ENDED JUNE 30,**

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Statutorily Required Contributions | \$ 6,218,419 | \$ 6,274,999 | \$ 5,984,430 | \$ 5,484,505 | \$ 4,907,130 | \$ 4,766,577 | \$ 4,456,194 | \$ 4,081,474 | \$ 3,697,563 | \$ 3,431,536 |
| Contributions in Relation to the Statutorily Required Contribution | <u>6,218,419</u> | <u>6,274,999</u> | <u>5,984,430</u> | <u>5,484,505</u> | <u>4,907,130</u> | <u>4,766,577</u> | <u>4,456,194</u> | <u>4,081,474</u> | <u>3,697,563</u> | <u>3,431,536</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 31,279,760 | \$ 32,378,718 | \$ 31,282,952 | \$ 29,046,528 | \$ 26,696,334 | \$ 26,880,806 | \$ 26,394,640 | \$ 25,531,897 | \$ 24,519,616 | \$ 24,199,828 |
| Contribution as a Percentage of Covered Payroll | 19.9% | 19.4% | 19.1% | 18.9% | 18.4% | 17.7% | 16.9% | 16.0% | 15.1% | 14.2% |

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

This schedule is presented to illustrate the requirement to show information for 10 years.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULES OF THE DISTRICT'S PROPORTIONATE
SHARE OF OPEB LIABILITY
LAST 10 FISCAL YEARS**

| Fiscal Year | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Plan Measurement Date | December 31, 2020 | December 31, 2019 | December 31, 2018 | December 31, 2017 | December 31, 2016 |
| District's Proportion (Percentage) of the Collective Net OPEB Liability | 0.3452147403% | 0.3569652885% | 0.3555777546% | 0.3485222626% | 0.3448630896% |
| District's Proportionate Share of the Collective Net OPEB Liability | \$ 3,280,317 | \$ 4,012,283 | \$ 4,837,785 | \$ 4,529,395 | \$ 4,471,267 |
| Covered Payroll | \$ 31,925,305 | \$ 32,096,829 | \$ 30,096,052 | \$ 27,835,885 | \$ 26,796,166 |
| District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 10.27% | 12.50% | 16.07% | 16.27% | 16.69% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 32.78% | 24.49% | 17.03% | 17.53% | 16.72% |

The amounts presented for each fiscal year were determined as of December 31.

This schedule is presented to illustrate the requirement to show information for 10 years. Since years prior to 2017 were not reported in accordance with the current GASB standards, the information is not available.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS
YEAR ENDED JUNE 30,**

| Fiscal Year | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually Required Contribution | \$ 319,054 | \$ 330,263 | \$ 319,086 | \$ 296,275 | \$ 272,303 | \$ 274,184 | \$ 269,225 | \$ 260,425 | \$ 250,100 | \$ 246,838 |
| Contributions in Relation to the Contractually Required Contribution | <u>319,054</u> | <u>330,263</u> | <u>319,086</u> | <u>296,275</u> | <u>272,303</u> | <u>274,184</u> | <u>269,225</u> | <u>260,425</u> | <u>250,100</u> | <u>246,838</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered Payroll | \$ 31,279,760 | \$ 32,378,718 | \$ 31,282,952 | \$ 29,046,528 | \$ 26,696,334 | \$ 26,880,806 | \$ 26,394,640 | \$ 25,531,897 | \$ 24,519,616 | \$ 24,199,828 |
| Contributions as a Percentage of Covered Payroll | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% |

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

This schedule is presented to illustrate the requirement to show information for 10 years.

SUPPLEMENTARY INFORMATION

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
COMBING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

| | Special Revenue | | | | | Total |
|--------------------------------------|-------------------|-------------------|---------------------|-------------------|---------------------|---------------------|
| | Food Service | Grants | Pupil Activity | Transportation | Building Reserve | |
| ASSETS | | | | | | |
| Cash and Investments | \$ 399,324 | \$ - | \$ 2,583,530 | \$ - | \$ 2,700,418 | \$ 5,683,272 |
| Restricted Cash | - | - | - | - | - | - |
| Accounts Receivable | 198,876 | - | - | - | 76,746 | 275,622 |
| Grants Receivable | - | 443,240 | - | - | - | 443,240 |
| Due from Other Funds | 177,327 | 111,419 | - | 860,045 | 192,054 | 1,340,845 |
| Inventory | 32,703 | - | - | - | - | 32,703 |
| Total Assets | <u>\$ 808,230</u> | <u>\$ 554,659</u> | <u>\$ 2,583,530</u> | <u>\$ 860,045</u> | <u>\$ 2,969,218</u> | <u>\$ 7,775,682</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 469 | \$ 128,110 | \$ 23,043 | \$ 3,592 | \$ - | \$ 155,214 |
| Accrued Salaries and Benefits | 42,228 | - | - | 205,012 | - | 247,240 |
| Unearned Revenues | 116,483 | 426,549 | - | - | - | 543,032 |
| Due to Other Funds | - | - | 431,235 | - | - | 431,235 |
| Total Liabilities | <u>159,180</u> | <u>554,659</u> | <u>454,278</u> | <u>208,604</u> | <u>-</u> | <u>1,376,721</u> |
| FUND BALANCES | | | | | | |
| Nonspendable Inventories | 32,703 | - | - | - | - | 32,703 |
| Restricted for: | | | | | | |
| Food Services | 616,347 | - | - | - | - | 616,347 |
| Capital Projects | - | - | - | - | - | - |
| Committed to: | | | | | | |
| Capital Projects | - | - | - | - | - | - |
| Pupil Activities | - | - | 2,129,252 | - | - | 2,129,252 |
| Assigned to: | | | | | | |
| Transportation | - | - | - | 651,441 | - | 651,441 |
| Capital Projects | - | - | - | - | 2,969,218 | 2,969,218 |
| Total Fund Balance | <u>649,050</u> | <u>-</u> | <u>2,129,252</u> | <u>651,441</u> | <u>2,969,218</u> | <u>6,398,961</u> |
| Total Liabilities and Fund Balances | <u>\$ 808,230</u> | <u>\$ 554,659</u> | <u>\$ 2,583,530</u> | <u>\$ 860,045</u> | <u>\$ 2,969,218</u> | <u>\$ 7,775,682</u> |

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

| | Special Revenue | | | | | Total |
|--|-------------------|------------------|---------------------|--------------------|---------------------|---------------------|
| | Food Service | Grants | Pupil Activity | Transportation | Building Reserve | |
| REVENUES | | | | | | |
| Local Sources | \$ 222,559 | \$ 100,721 | \$ 1,594,683 | \$ 111,345 | \$ 284,887 | \$ 2,314,195 |
| State Sources | 8,127 | 1,271,954 | - | 584,833 | - | 1,864,914 |
| Federal Sources | 1,016,862 | 4,239,326 | - | - | - | 5,256,188 |
| Other | 246 | - | - | - | - | 246 |
| Total Revenues | <u>1,247,794</u> | <u>5,612,001</u> | <u>1,594,683</u> | <u>696,178</u> | <u>284,887</u> | <u>9,435,543</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Instruction | - | 4,380,882 | 1,076,117 | - | - | 5,456,999 |
| Supporting Services | 1,205,448 | 522,747 | 605,775 | 2,174,349 | - | 4,508,319 |
| Capital Outlay | 9,175 | 708,372 | - | - | - | 717,547 |
| Debt Service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest and Fiscal Charges | - | - | - | - | - | - |
| Total Expenditures | <u>1,214,623</u> | <u>5,612,001</u> | <u>1,681,892</u> | <u>2,174,349</u> | <u>-</u> | <u>10,682,865</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>33,171</u> | <u>-</u> | <u>(87,209)</u> | <u>(1,478,171)</u> | <u>284,887</u> | <u>(1,247,322)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Insurance Proceeds | - | - | - | - | - | - |
| Transfers In | - | - | 30,000 | 1,840,963 | - | 1,870,963 |
| Sale of Capital Assets | - | - | - | - | 71,966 | 71,966 |
| Total Other Financing Sources(Uses) | <u>-</u> | <u>-</u> | <u>30,000</u> | <u>1,840,963</u> | <u>71,966</u> | <u>1,942,929</u> |
| NET CHANGE IN FUND BALANCES | 33,171 | - | (57,209) | 362,792 | 356,853 | 695,607 |
| Fund Balances - Beginning (Restated) | 615,879 | - | 2,186,461 | 288,649 | 2,612,365 | 5,703,354 |
| FUND BALANCES - ENDING | <u>\$ 649,050</u> | <u>\$ -</u> | <u>\$ 2,129,252</u> | <u>\$ 651,441</u> | <u>\$ 2,969,218</u> | <u>\$ 6,398,961</u> |

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
BOND REDEMPTION FUND
YEAR ENDED JUNE 30, 2021**

| | Original and Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------------------------|---------------------|---|
| REVENUES | | | |
| Local Sources: | | | |
| Property Taxes | \$ 6,680,500 | \$ 6,570,334 | \$ (110,166) |
| Investment Income | - | 2,708 | 2,708 |
| Total Revenues | 6,680,500 | 6,573,042 | (107,458) |
| EXPENDITURES | | | |
| Debt Service: | | | |
| Principal | 4,485,000 | 4,485,000 | - |
| Interest and Fiscal Charges | 2,102,652 | 2,070,808 | 31,844 |
| Total Expenditures | 6,587,652 | 6,555,808 | 31,844 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 92,848 | 17,234 | (75,614) |
| OTHER FINANCING SOURCES (USES) | | | |
| General Obligation issuance | - | 19,415,000 | 19,415,000 |
| Payment to refunded bond escrow agent | - | (19,196,460) | (19,196,460) |
| Total Other Financing Sources (Uses) | - | 218,540 | 218,540 |
| NET CHANGE IN FUND BALANCES | 92,848 | 235,774 | 142,926 |
| Fund Balance - Beginning | 7,309,497 | 6,465,701 | (843,796) |
| FUND BALANCE - ENDING | \$ 7,402,345 | \$ 6,701,475 | \$ (919,410) |

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
PUPIL ACTIVITY FUND
YEAR ENDED JUNE 30, 2021**

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|--------------------------------------|---------------------|---|
| REVENUES | | | |
| Local Sources: | | | |
| Activities and Athletic Fees | \$ 835,897 | 1,594,683 | \$ 758,786 |
| Total Revenues | <u>835,897</u> | <u>1,594,683</u> | <u>758,786</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction | 1,760,775 | 1,076,117 | 684,658 |
| Supporting Services | 862,255 | 605,775 | 256,480 |
| Total Expenditures | <u>2,623,030</u> | <u>1,681,892</u> | <u>941,138</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,787,133) | (87,209) | 1,699,924 |
| OTHER FINANCING SOURCES | | | |
| Transfers In | - | 30,000 | 30,000 |
| Total Other Financing Sources | <u>-</u> | <u>30,000</u> | <u>30,000</u> |
| NET CHANGE IN FUND BALANCE | (1,787,133) | (57,209) | 1,729,924 |
| Fund Balance - Beginning (Restated) | <u>405,737</u> | <u>2,186,461</u> | <u>1,780,724</u> |
| FUND BALANCE - ENDING | <u>\$ (1,381,396)</u> | <u>\$ 2,129,252</u> | <u>\$ 3,510,648</u> |

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2021**

| | Original and Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------------------------|---------------|---|
| REVENUES | | | |
| Local Sources: | | | |
| Transportation Funding | \$ 399,050 | \$ 111,345 | \$ (287,705) |
| State Sources: | | | |
| Transportation Funding | 552,552 | 584,833 | 32,281 |
| Total Revenues | 951,602 | 696,178 | (255,424) |
| EXPENDITURES | | | |
| Current: | | | |
| Supporting Services | 2,537,428 | 2,174,349 | 363,079 |
| Total Expenditures | 2,537,428 | 2,174,349 | 363,079 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,585,826) | (1,478,171) | 107,655 |
| OTHER FINANCING SOURCES | | | |
| Transfers In | 1,780,000 | 1,840,963 | 60,963 |
| NET CHANGE IN FUND BALANCE | 194,174 | 362,792 | 168,618 |
| Fund Balance - Beginning | 72,849 | 288,649 | 215,800 |
| FUND BALANCE - ENDING | \$ 267,023 | \$ 651,441 | \$ 384,418 |

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
YEAR ENDED JUNE 30, 2021**

| | Original and Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------------------------|---------------|---|
| REVENUES | | | |
| Local Sources: | | | |
| Investment Income | \$ 5,000 | 960 | \$ (4,040) |
| Total Revenues | 5,000 | 960 | (4,040) |
| EXPENDITURES | | | |
| Current: | | | |
| Capital Outlay | 1,163,520 | 1,029,292 | 134,228 |
| Debt Service: | | | |
| Principal | - | 109,600 | (109,600) |
| Interest and Fiscal Charges | - | 4,717 | (4,717) |
| Total Expenditures | 1,163,520 | 1,143,609 | 19,911 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,158,520) | (1,142,649) | 15,871 |
| OTHER FINANCING SOURCES | | | |
| Transfers In | 884,000 | 838,337 | 45,663 |
| Total Other Financing Sources | 884,000 | 838,337 | 45,663 |
| NET CHANGE IN FUND BALANCE | (274,520) | (304,312) | 61,534 |
| Fund Balance - Beginning (GAAP Basis) | 331,183 | 1,418,401 | 1,087,218 |
| Lease Issuance Expenditures | | (537,593) | |
| Lease Issuance Proceeds | | 7,959,805 | |
| FUND BALANCE - ENDING (GAAP Basis) | \$ 56,663 | \$ 8,536,301 | \$ 8,479,638 |

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
BUILDING RESERVE FUND
YEAR ENDED JUNE 30, 2021**

| | Original and Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------------------------|---------------|---|
| REVENUES | | | |
| Local Sources: | | | |
| Investment Income | \$ 56,104 | \$ 3,502 | \$ (52,602) |
| Other | 100,000 | 281,385 | 181,385 |
| Total Revenues | 156,104 | 284,887 | 128,783 |
| EXPENDITURES | | | |
| Reserves | 2,655,401 | - | 2,655,401 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (2,499,297) | 284,887 | 2,784,184 |
| OTHER FINANCING SOURCES | | | |
| Sale of Capital Assets | - | 71,966 | |
| Total Other Financing Sources | - | 71,966 | - |
| NET CHANGE IN FUND BALANCE | (2,499,297) | 356,853 | 2,784,184 |
| Fund Balance - Beginning | 2,499,297 | 2,612,365 | 113,068 |
| FUND BALANCE - ENDING | \$ - | \$ 2,969,218 | \$ 1,477,218 |

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2021**

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|--------------------------------------|--------------------------|---|
| REVENUES | | | |
| Charges for Services | \$ 1,616,083 | 222,559 | \$ (1,393,524) |
| State Grants | 10,733 | 8,127 | (2,606) |
| Federal Grants | 206,158 | 1,016,862 | 810,704 |
| Other | 20,119 | 246 | (19,873) |
| Total Revenues | <u>1,853,093</u> | <u>1,247,794</u> | <u>(605,299)</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Support Services | 1,753,912 | 1,205,448 | 548,464 |
| Capital Outlay | 113,000 | 9,175 | 103,825 |
| Total Expenditures | <u>1,866,912</u> | <u>1,214,623</u> | <u>652,289</u> |
| NET CHANGE IN FUND BALANCE | (13,819) | 33,171 | 46,990 |
| Fund Balance - Beginning | <u>692,160</u> | <u>615,879</u> | <u>(76,281)</u> |
| FUND BALANCE - ENDING | <u><u>\$ 678,341</u></u> | <u><u>\$ 649,050</u></u> | <u><u>\$ (29,291)</u></u> |

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
GRANTS FUND
YEAR ENDED JUNE 30, 2021**

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-----------------------------------|--------------------------------------|--------------------|---|
| REVENUES | | | |
| Local Grants | \$ 30,000 | \$ 100,721 | \$ 70,721 |
| State Grants | 587,077 | 1,271,954 | 684,877 |
| Federal Grants | <u>4,686,812</u> | <u>4,239,326</u> | <u>(447,486)</u> |
| Total Revenues | 5,303,889 | 5,612,001 | 308,112 |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction | 5,059,524 | 4,380,882 | 678,642 |
| Supporting Services | 244,365 | 522,747 | (278,382) |
| Capital Outlay | <u>-</u> | <u>708,372</u> | <u>708,372</u> |
| Total Expenditures | <u>5,303,889</u> | <u>5,612,001</u> | <u>1,108,632</u> |
| NET CHANGE IN FUND BALANCE | - | - | - |
| Fund Balance - Beginning | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

COMPLIANCE SECTION

SINGLE AUDIT



**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**

Board of Education
El Paso County School District #38 - Lewis-Palmer
Monument, Colorado

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 #38 - Lewis-Palmer (the District), 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, and have issued our report thereon dated January 24, 2022.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-2, 2021-3, 2021-4, 2021-5, and 2021-6 to be significant deficiencies.

Compliance and Other Matters

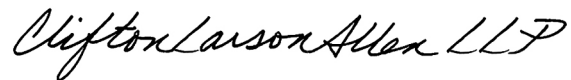
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

District's Response to Findings

El Paso County School District #38 - Lewis-Palmer's response to the findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CliftonLarsonAllen LLP

Broomfield, Colorado
January 24, 2022



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

Board of Education
El Paso County School District #38 - Lewis-Palmer
Monument, Colorado

Report on Compliance for Each Major Federal Program

We have audited El Paso County School District #38 - Lewis-Palmer'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 #38 - Lewis-Palmer's major federal programs for the year ended June 30, 2021. El Paso County School District #38 - Lewis-Palmer's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of El Paso County School District #38 - Lewis-Palmer'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 #38 - Lewis-Palmer'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 #38 - Lewis-Palmer's compliance.

Opinion on Each Major Federal Program

In our opinion, El Paso County School District #38 - Lewis-Palmer 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 #38 - Lewis-Palmer 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 #38 - Lewis-Palmer'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 #38 - Lewis-Palmer'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



CliftonLarsonAllen LLP

Broomfield, Colorado
January 24, 2022

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30 2021**

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Pass-Through Entity Identifying Number</u> | <u>ALN</u> | <u>Expenditures</u> |
|---|---|------------|---------------------|
| U.S. Department of Education | | | |
| Impact Aid | 4041 | 84.041 | \$ 5,428 |
| Passed through the Colorado Department of Education | | | |
| Special Education Cluster | | | |
| Special Education | 4027 | 84.027 | 1,006,284 |
| Special Education Preschool | 4173 | 84.173 | 15,332 |
| Total Special Education Cluster | | | <u>1,021,616</u> |
| COVID-19 Elementary and Secondary School | | | |
| Emergency Relief Fund (ESSER) I | 4425 | 84.425D | 290,578 |
| COVID-19 Coronavirus Relief Fund | 4012/5012 | 21.019 | 2,252,116 |
| Title I | 4010 | 84.010 | 348,984 |
| Title IV Part A | 4424 | 84.424 | 28,321 |
| English Language Acquisition | 4365/7365 | 84.365 | 5,067 |
| Improving Teacher Quality | 4367 | 84.367 | 86,740 |
| Perkins/DECA Grant | 4048 | 84.048 | 9,380 |
| Total U.S. Department of Education | | | <u>4,048,230</u> |
| U.S. Department of Agriculture | | | |
| Child Nutrition Cluster | | | |
| Passed through the Colorado Department of Human Services | | | |
| Donated Commodities | 4555 | 10.555 | 60,695 |
| Passed through the Colorado Department of Education | | | |
| Summer Food Service Program | 4559 | 10.559 | 902,485 |
| National School Lunch Program | 4555 | 10.555 | 53,682 |
| Total Child Nutrition Cluster | | | <u>1,016,862</u> |
| Total U.S. Department of Agriculture | | | |
| | | | <u>1,016,862</u> |
| Total Federal Financial Assistance | | | |
| | | | <u>\$ 5,065,092</u> |

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30 2021**

NOTE 1 BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting. Expenditures are recognized when they become a demand on current available financial resources. Encumbrances are used during the year for budgetary control purposes and lapse at fiscal year-end.

NOTE 2 NONCASH PROGRAMS

Commodities donated to the District by the U.S. Department of Agriculture (USDA) are valued based on the USDA's Donated Commodity Price List and by values provided by the USDA. The commodities are recognized as revenue and expenses when received and are reported as part of the National School Lunch Program (\$60,695).

NOTE 3 INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 SUBRECIPIENTS

The District did not have subrecipients of federal awards for the year ended June 30, 2021.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30 2021**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? x yes none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

| Assistance Listing Numbers | Name of Federal Program or Cluster |
|-----------------------------------|---|
| 10.555, 10.559 | Child Nutrition Cluster |
| 21.019 | Coronavirus Relief 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 #38 - LEWIS-PALMER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30 2021**

Section II – Financial Statement Findings

2021 – 001 Capital Leases

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: A capital expenditure and other financing source relating to a capital lease was not properly recorded during fiscal year 2021.

Criteria: Based on the guidance in Governmental Accounting Standards Board Statement No. 11, *Measurement Focus and Basis of Accounting – Governmental Fund Operating Statements*, and subsequent amendments to this guidance, at the inception of a capital lease, a capital expenditure and other financing source in an amount equal to the amount financed should be presented.

Context: During over capital expenditures, it was noted that the District took possession of five school buses under a capital lease agreement but did not have capital expenditures associated with the vehicles.

Effect: As a result of this issue, an adjustment of \$537,593 to increase capital expenditures and other financing sources in the Capital Reserve Fund was required to be posted by the District.

Cause: The vehicle lease agreement was not properly reviewed and recorded.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District improve its process for reviewing lease agreements.

Views of responsible officials and planned corrective actions: The District agrees with the finding and has adjusted capital expenditures and other financing sources accordingly. The District will improve the process for reviewing and recording leases.

Responsible Official: Kathleen Overton, Chief Financial Officer

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30 2021**

2021 – 002 Property Taxes and Specific Ownership Taxes

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Property tax revenue and receivables were not reported correctly in the year revenues were measurable and available.

Criteria: Based on the guidance in Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, property tax revenue should be recognized in the period in which levied and receivable recognized when there is a legally enforceable claim.

Context: During testing of property taxes, it was noted the District did not properly reconcile payments remitted by the County on an accrual basis resulting in adjustments to property tax revenues and receivables.

Effect: As a result of this issue, the following adjustments were required to be posted by the District:

- General Fund – An adjustment to increase Property Tax Receivable and related revenues by \$226,324.
- Bond Fund – An adjustment to increase Property Tax Receivable and related revenues by \$78,195.

Cause: The District's review process did not detect the errors in the property tax and specific ownership tax reconciliations and entries.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District improve and enhance the review processes over property tax and specific ownership tax reconciliations and entries.

Views of responsible officials and planned corrective actions: The District agrees with the finding and has adjusted property tax revenues and receivables accordingly. The District will improve the process for reconciling items tax remittances on a regular basis.

Responsible Official: Kathleen Overton, Chief Financial Officer

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30 2021**

2021 – 003 Reconciliation of Grant Related Revenues and Expenditures

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Revenues and related revenues presented by the District did not agree to cash receipts received or expenditures during the audit period.

Criteria: Based on the guidance in Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, grant revenue should be recognized when eligibility requirements are met and the resources are available.

Context: The error was noted during testing of grant revenues and expenditures which included reconciliation of the account balance to underlying transactional level detail and testing of significant transactions.

Effect: As a result of this issue, the following adjustments were required to be posted by the District:

- Grants Fund – Adjustments to increase revenues and receivables by \$60,835, as well as the associated expenditures and accounts payable by \$60,835.
- General Fund – Adjustments to increase revenues and receivables by \$34,377.

In addition, District's management determined that adjustments of \$102,710 to decrease grant revenue and increase unavailable revenue relating to grant reimbursements received after the District's defined availability period was immaterial.

Cause: The District's process for reconciling grant related activity did not identify the differences between expenditures and corresponding revenues for federal programs and did not record the fourth quarter of career and technical education revenue. In addition, the District did not submit reimbursement requests for certain grants on a timely basis, causing a longer delay between incurring the expenditure and reimbursement.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District improve the process for reconciling grant related activity for proper reporting at year end.

Views of responsible officials and planned corrective actions: The District agrees with the finding. The District will improve the process for reconciling grant activity and improve the review process to ensure that these errors do not occur again.

Responsible Official: Kathleen Overton, Chief Financial Officer

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30 2021**

2021 – 004 Accrued Payroll

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Accrued liabilities related to payroll expenditures were not accrued as expense and accrued liabilities in the year of service.

Criteria: Governmental Accounting Standards Board Statement No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements – An Interpretation of NCGA Statements 1, 4, and 5; NCGA Interpretation 8; And GASB Statements No. 10, 16, and 18*, and subsequent amendments to this guidance define accrual accounting and provide guidance for proper accounting of these liabilities.

Context: During testing of accrued payroll, it was noted accrued payroll was not recorded correctly by the District. This error was noted during review of the last payroll period crossing between fiscal year 2021 and fiscal year 2022.

Effect: As a result of this issue, the following adjustments were required to be posted by the District:

- General Fund – An adjustment to increase Accrued Liabilities and Expenditures by \$151,385.
- Food Service Fund – An adjustment to decrease Accrued Liabilities and Expenditures by \$4,467.
- Transportation Fund – An adjustment to decrease Accrued Liabilities and Expenditures by \$17,033.

Cause: Accrued liabilities for services performed during the audit period were not recorded at the end of the year.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District improve and enhance its review of year-end payroll accruals to ensure that accruals are properly recorded.

Views of responsible officials and planned corrective actions: The District agrees with the finding. The District will improve the review process for accrued payroll to ensure that these errors do not occur again.

Responsible Official: Kathleen Overton, Chief Financial Officer

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30 2021**

2021 – 005 Interfund Reimbursements and Interfund Activity

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: The amount of interfund receivables recorded did not agree to the amount of interfund payables between funds. In addition, the amount of transfers in to funds did not agree to the amount of transfers out of funds.

Criteria: Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and subsequent amendments to this guidance require that interfund reimbursements are recorded as interfund receivables in lender funds and interfund payables in borrower funds. It also requires that the activity between funds relating to interfund reimbursements should not be reported on the financial statements.

Context: During testing over interfund activity, it was noted that interfund receivables did not agree to interfund payables between funds. Based on review of the transactions within these accounts, it was determined that the District recorded revenue in the General Fund relating to activity of the Pupil Activity Fund and intended to post an adjustment to reduce the revenue in the General Fund, create interfund receivables and payables between funds, and record the revenue in the Pupil Activity Fund. During this process, the District recorded the revenue and interfund receivable in the Pupil Activity Fund but did not record the reduction in revenue or interfund payable in the General Fund in six transactions of similar nature. In addition, it was noted that a transfer from the General Fund to the Pupil Activity Fund was recorded as revenue in the Pupil Activity Fund rather than a transfer.

Effect: As a result of these issues, an adjustment to decrease revenue and increase interfund payables by \$76,738 in the General Fund was required to be posted by the District. In addition, an adjustment to decrease revenue in the Pupil Activity Fund and increase Transfers In by \$20,000 was required in the Pupil Activity Fund.

Cause: The District did not properly reconcile interfund receivables and interfund payables on a monthly or annual basis.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District implement a process to review interfund receivables and interfund payables as well as interfund transfers on both a monthly and annual basis.

Views of responsible officials and planned corrective actions: The District agrees with the finding. The District will improve the review process for interfund activities to ensure that these errors do not occur again.

Responsible Official: Kathleen Overton, Chief Financial Officer

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30 2021**

2021 – 006 Capital Assets

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Capital additions and depreciation expense were not properly calculated by the District.

Criteria: Governmental Accounting Standards Board Codification Section 1400, *Reporting Capital Assets*, provides guidance on the requirements relating to recording and disclosing capital assets and related accumulated depreciation.

Context: During testing over capital assets, it was noted that the District duplicated capital assets from fiscal year 2020 as capital additions in fiscal year 2021 and did not properly update the calculations for depreciation of fiscal year 2020 additions. In addition, it was noted that capital expenditures in fiscal year 2020 were not properly capitalized during fiscal year 2020 and were recorded as capital additions in fiscal year 2021.

Effect: As a result of these issues, adjustments were made to remove duplicate capital assets of \$145,534 and to update depreciation over the District's determination of the estimated useful life by \$98,552.

Management determined that the restatement to beginning net position of \$187,071 to add capital assets relating to capital expenditures in fiscal year 2020 was immaterial. The capital additions of \$187,071 were recorded as fiscal year 2021 additions to bring the capital asset balance to the correct amount.

Cause: The District did not properly reconcile capital assets at the end of fiscal year 2021 and did not have an adequate review process in place to detect errors in the capital asset tracking process timely.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District implement a process for capital additions and depreciation expense to be reviewed by an individual other than the preparer.

Views of responsible officials and planned corrective actions: The District agrees with the finding. The District will implement a review process for capital assets to ensure that these errors do not occur again.

Responsible Official: Kathleen Overton, Chief Financial Officer

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30 2021**

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30 2021**

El Paso County School District #38 – Lewis-Palmer respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2021.

The findings from the prior audit’s schedule of findings and questioned costs are discussed below.

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings during fiscal year 2020.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

Condition: The Colorado Department of Education provides the District with information on the amount of federal awards available to the District for the fiscal year. Due to an error in the District’s tracking spreadsheet, the District requested reimbursement of \$18,350 greater than the amount available.

Status: Corrected. The District did not request reimbursement exceeding the amount available during fiscal year 2021.



“One Team – Our Team”

LEWIS-PALMER SCHOOL DISTRICT 38

146 Jefferson Street, P.O. Box 40
Monument, CO 80132-0040

Administration Office:
Phone 719-488-4700
Fax 719-488-5951
www.lewispalmer.org

EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2021

El Paso County School District #38 – Lewis-Palmer (District) respectfully submits the following corrective action plan for the year ended June 30, 2021.

The findings from the schedule of findings and questioned costs are discussed below.

FINDINGS - FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2021-001 Capital Leases

Recommendation: It was recommended that the District improve its process for reviewing lease agreements.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Additional review processes will be implemented for lease agreements in fiscal year 2022 to ensure that leases are properly recorded.

Name of the contact person responsible for corrective action: Kathleen Overton, CFO
Planned completion date for corrective action plan: Immediately.

**EL PASO COUNTY SCHOOL DISTRICT #38 –
LEWIS-PALMER CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2021**

SIGNIFICANT DEFICIENCIES

2021-002 Property Taxes and Specific Ownership Taxes

Recommendation: It was recommended that the District improve and enhance the review processes over property tax and specific ownership tax reconciliations and entries.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The review processes over the reconciliation and adjusting entries for property taxes and specific ownership will be improved during fiscal year 2022.

Name of the contact person responsible for corrective action: Kathleen Overton, CFO
Planned completion date for corrective action plan: Immediately.

2021-003 Reconciliation of Grant Related Revenues and Expenditures

Recommendation: It was recommended that the District improve the process for reconciling grant related activity for proper reporting at year end.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The District will improve the process for reconciling grant related activity for proper reporting at year end.

Name of the contact person responsible for corrective action: Kathleen Overton, CFO
Planned completion date for corrective action plan: Immediately.

2021-004 Accrued Payroll

Recommendation: It was recommended that the District improve and enhance its review of year-end payroll accruals.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The District will improve the review process over recording payroll accruals.

Name of the contact person responsible for corrective action: Kathleen Overton, CFO
Planned completion date for corrective action plan: Immediately.

**EL PASO COUNTY SCHOOL DISTRICT #38 –
LEWIS-PALMER CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2021**

2021-005 Interfund Reimbursements and Interfund Activity

Recommendation: It was recommended that the District implement a process to review interfund receivables, interfund payables, and interfund transfers on a monthly and annual basis.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The District will implement a monthly and annual review process to reconcile interfund receivables, interfund payables, and interfund transfers.

Name of the contact person responsible for corrective action: Kathleen Overton, CFO
Planned completion date for corrective action plan: Immediately.

2021-006 Capital Assets

Recommendation: It was recommended that the District implement a review process over capital additions and depreciation expense.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The District will implement a process for an individual other than the preparer to review the District's capital additions and calculation of depreciation expense.

Name of the contact person responsible for corrective action: Kathleen Overton, CFO
Planned completion date for corrective action plan: Immediately.

STATE COMPLIANCE SECTION

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
AUDITORS' INTEGRITY REPORT
YEAR ENDED JUNE 30 2021**



Colorado Department of Education
Auditors Integrity Report
District: 1080 - Lewis-Palmer 38
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 | 13,368,447 | 45,797,077 | 45,387,667 | 13,777,858 |
| 18 Risk Mgmt Sub-Fund of General Fund | 310,671 | 778,532 | 978,932 | 110,270 |
| 19 Colorado Preschool Program Fund | 17,493 | 113,166 | 160,630 | -29,971 |
| Sub- Total | 13,696,611 | 46,688,775 | 46,527,229 | 13,858,157 |
| 11 Charter School Fund | 2,817,533 | 8,948,229 | 9,251,769 | 2,513,993 |
| 20,26-29 Special Revenue Fund | 1,597,756 | 1,243,923 | 1,202,324 | 1,639,354 |
| 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 | 615,878 | 1,247,793 | 1,214,623 | 649,048 |
| 22 Govt Designated-Purpose Grants Fund | 0 | 5,612,002 | 5,612,001 | 0 |
| 23 Pupil Activity Special Revenue Fund | 2,267,936 | 1,712,971 | 1,752,774 | 2,228,134 |
| 24 Full Day Kindergarten Mill Levy Override | 0 | 0 | 0 | 0 |
| 25 Transportation Fund | 288,648 | 2,537,140 | 2,174,348 | 651,441 |
| 31 Bond Redemption Fund | 6,465,702 | 6,573,042 | 6,337,268 | 6,701,476 |
| 39 Certificate of Participation (COP) Debt Service Fund | 0 | 0 | 0 | 0 |
| 41 Building Fund | 9,516,875 | 361,843 | 5,005,639 | 4,873,080 |
| 42 Special Building Fund | 0 | 0 | 0 | 0 |
| 43 Capital Reserve Capital Projects Fund | 1,418,401 | 8,799,102 | 1,681,202 | 8,536,301 |
| 46 Supplemental Cap Const, Tech, Main Fund | 0 | 0 | 0 | 0 |
| Totals | 38,685,340 | 83,724,820 | 80,759,178 | 41,650,983 |
| Proprietary | | | | |
| 50 Other Enterprise Funds | 0 | 0 | 0 | 0 |
| 64 (63) Risk-Related Activity Fund | 0 | 0 | 0 | 0 |
| 60,65-69 Other Internal Service Funds | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |
| Fiduciary | | | | |
| 70 Other Trust and Agency Funds | 0 | 0 | 0 | 0 |
| 72 Private Purpose Trust Fund | 0 | 0 | 0 | 0 |
| 73 Agency Fund | 0 | 0 | 0 | 0 |
| 74 Pupil Activity Agency Fund | 0 | 0 | 0 | 0 |
| 79 GASB 34:Permanent Fund | 0 | 0 | 0 | 0 |
| 85 Foundations | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |

FINAL

1/24/22