

2021-2022



ANNUAL FINANCIAL REPORT



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

ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2022

BOARD OF EDUCATION

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Kevin Duren

Prepared By:

BUSINESS AND FINANCE OFFICE

Terry Kimber
Chief Financial Officer

Oliva Boudreau
Finance Manager

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Terry Kimber, Chief Financial Officer

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

November 1, 2022

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

State law requires that school districts publish, within six months after the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. State law also requires that this report must be submitted to the Board of Education within five months after the close of the fiscal year. Pursuant to that requirement, we hereby issue the annual financial report of El Paso County School District 3 for the fiscal year ended June 30, 2022.

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

El Paso County School District 3's financial statements have been audited by *Hoelting & Company, Inc.*, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the district for the fiscal year ended June 30, 2022 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the district's financial statements for the fiscal year ended June 30, 2022 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Mr. Kevin Duren, Superintendent

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

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

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

Profile of the District

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

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

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

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

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

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

Local Economy

While Widefield School District 3 enjoys a strong and trusting partnership with its community, there is very little industry and therefore the district has a low tax base and assessed value. However, the district benefits from its proximity to Fort Carson, a large U.S. Army base contiguous to the school district to the west and south. There are approximately 25,000 active-duty military personnel assigned to Fort Carson. Those soldiers bring with them 30,000 family members; Widefield provides education for 2,024 children of active-duty soldiers.

Student Enrollment Trends

Widefield School District 3 has experienced steady trends in its student full-time equivalency (FTE) enrollment. The enrollment was 9,396 for the 2020-2021 school year. Enrollment dropped by nearly just over 200 students. Enrollment has not returned to pre-COVID-19 Pandemic levels. The district is still anticipating steady long-term growth. The areas to the south and east of the district are in the process of rapid growth. These areas include Lorson Ranch and The Glen subdivisions. New areas are being prepared in the eastern part of the district for new housing developments as well. The District is currently tracking growth very diligently but with the recession causing a major increase in home mortgage rates, building has significantly slowed.

School Finance and Legislative Activity

Colorado school finance formulas consist of three main components: the legislatively controlled funding amount per pupil, the number of pupils in the district, and the number of students eligible for free lunch. When Amendment 23 was passed by Colorado voters in November 2000, school districts were promised an inflationary increase of per pupil base funding plus 1% for 10 years. The additional 1% ended in fiscal year 2011. The inflationary increase is based on the Denver-Boulder consumer price index (CPI) of the prior calendar year. The CPI increase for 2022 was 2.0%.

For the fiscal year 2021-2022, the State General Assembly returned the negative factor to the pre-pandemic level of \$503 million statewide.

The PPR Funding for the 2021-2022 fiscal year increased to \$8,528 from the 2020-2021 PPR amount of \$7,715 per FTE. Funding for 2022-2023 is anticipated to increase approximately \$519 per student due to the State recovering better than anticipated from the Covid-19 Pandemic.

TABOR – Article X, Section 20 of the state constitution creates limitations on general operating property tax revenue increases from one year to the next. Restrictions also apply to certain

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

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

Total revenue for the General Fund is projected at approximately \$100.7 million for fiscal year 2022-2023, which is about \$9.0 million more than actual revenues for fiscal year 2021-2022. Total fund balance is decreasing by approximately \$378 thousand for 2021-2022

The district is committed to an ongoing review of its programs and services for both effectiveness and efficiency. To accomplish this, the district examines how to best provide essential services on a cost-effective basis and to redirect resources to schools. The following priorities for the 2022-2023 fiscal year are consistent with this philosophy:

- Teacher staffing in support of excellence and enrollment growth increased due to enrollment and specific school needs for 2022-2023.
- In the fall of 2002, the district passed a mill levy override of \$3.95 million. The additional dollars were needed to take care of four initiatives: increased student achievement; reduce and/or maintain class size; improve reading, writing and math resources (instructional coaches); and attract and retain top-quality professionals.
- In November of 2017, the district passed a second mill levy override of \$3.5 million. The additional resources have been used as previously mentioned.
- Salary adjustments for all staff are the result of salary and compensation policy discussions. For the 2022-2023 school year, significant increases in staff pay were made to significantly increase starting pay for all staff. Over the past 5 year, the District has increased Teacher pay by an average of 6.53% and Non-Licensed pay by an average of 7.77%. This includes no raises during the pandemic due to major budget cuts in 20-21.

- ***Cash management policies and practices***

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

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

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

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

For fiscal year 2021-2022, cash was invested primarily in U.S. government treasuries and agencies, and the Colorado Local Government Liquid Asset Trust (COLOTRUST).

Mill Levy overrides

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

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

In November 2017, the voters overwhelmingly passed a second mill levy override to local property tax funding. When combined with the 2002 override the two equal 10% of the School Finance Act total program. For 2022, the amount was an additional \$4.5 million. The total mill levy override funding collected for 2021-2022 was \$8,490,251. These additional Funds were used to support the following initiatives:

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

Acknowledgements

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

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

We offer special thanks to the following district employees, whose efforts and contributions made the preparation of the fiscal year 2021-2022 Annual Financial Report a success:

Widefield School District 3 Finance Office

Kate Martin, Payroll Manager
Grant Lindaman, Staff Accountant
Lia Lang, Staff Accountant
Liza Vondriska, Accounts Payable
Denise Atlas, Secretary
Rene Swindale, Payroll/Benefits

Respectfully submitted,



Terry Kimber
Chief Financial Officer



Oliva Boudreau
Finance Manager

**SUPERINTENDENT’S CABINET
2021-2022**

Kevin Duren..... Superintendent

Connie Florell.....Assistant Superintendent

David Gish.....Chief Operations Officer

Kirk VseteckaAssistant Superintendent

Aaron Hoffman....Executive Director of Secondary Student Learning and Math Achievement

Amy Roden.....Executive Director of Human Resources

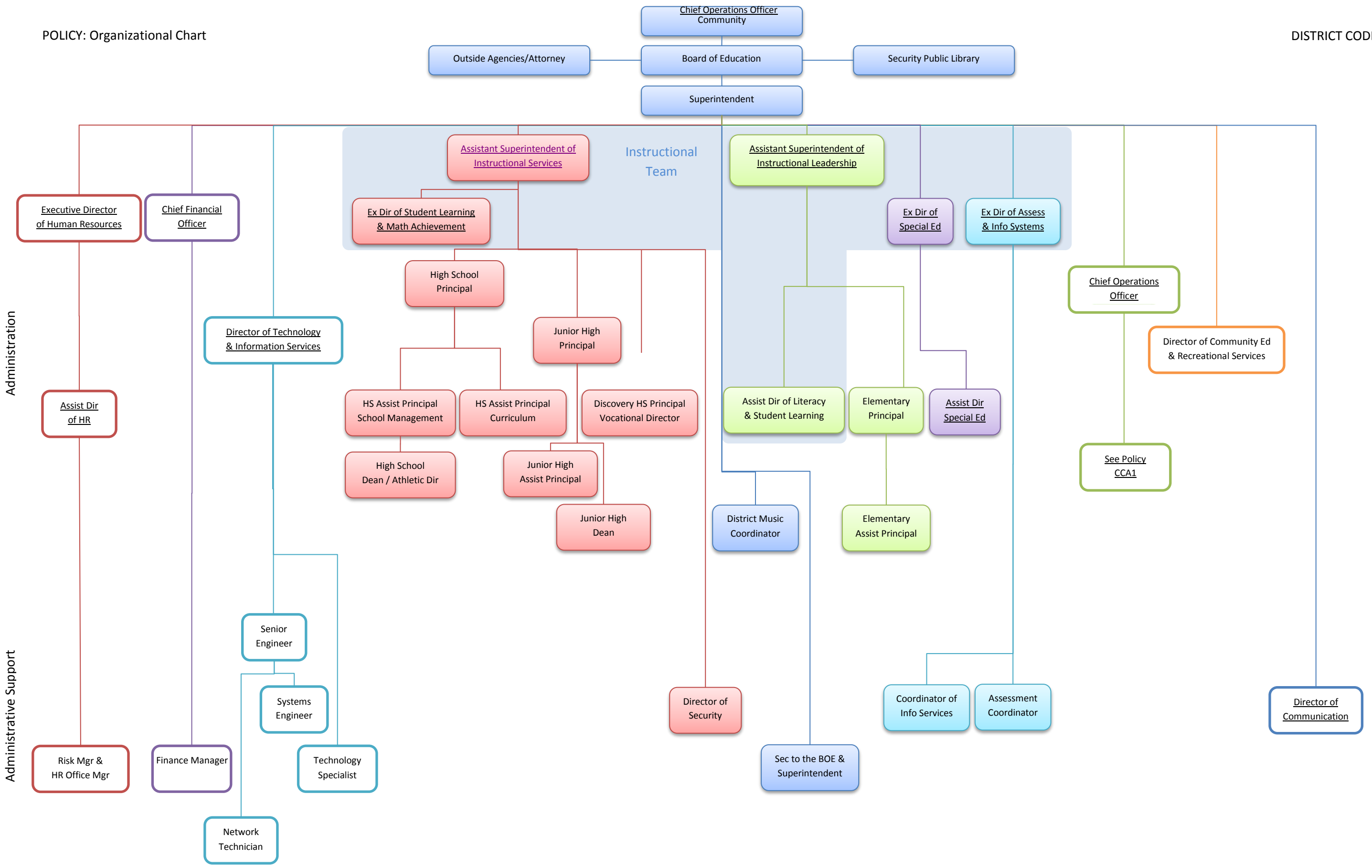
Megan Houtchens.....Executive Director of Student Achievement

Lisa HumberdExecutive Director of Special Education

Sam Briggs.....Director of Communication

Terry Kimber.....Chief Financial Officer

Carlos Lopez.....Director of Technology





INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 the El Paso County School District No. 3, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the El Paso County School District No. 3's basic financial statements as listed in the table of contents.

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 the El Paso County School District No. 3, as of June 30, 2022 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the El Paso County School District No. 3 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 18 to the financial statements, El Paso County School District No. 3 implemented GASB Statement No. 87, Leases effective July 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the El Paso County School District No.

3's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the El Paso County School District No. 3's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the El Paso County School District No. 3's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2022 on our consideration of the El Paso County School District No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the El Paso County School District No. 3'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 El Paso County School District No. 3's internal control over financial reporting and compliance.

Hoelting & Company, Inc.

Colorado Springs, Colorado
November 2, 2022

Management's Discussion and Analysis

As management of El Paso (Widefield) School District 3, we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal.

Financial Highlights

- The District's total net position increased \$44,430,980 during fiscal year 2021-2022. This is mostly due to GASB Statement No. 68. (PERA Reporting). See note nine and ten to the financial statements for additional information and the investment in capital assets from bond proceeds.
- At the close of the current fiscal year, the District's *governmental funds* reported combined ending fund balances of \$71,730,247 compared to \$76,785,862 at the close of the prior fiscal year. This decrease is mainly due to starting two large construction projects at Webster Elementary and the Widefield Parks and Recreation Center.
- At June 30, 2022, the General Fund reported non-spendable fund balance of \$168,709. The total restricted fund balances for all *governmental funds* were \$13,950,081 including \$3,580,500 in the General Fund and \$5,015,897 in the Bond Redemption Fund. The total General Fund unassigned fund balance decreased by \$377,970 to \$20,835,711 at June 30, 2022.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The *statement of activities* presents information reporting how the District's net position changed during fiscal year 2021-2022. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows for future fiscal periods. Earned but unused vacation leave and uncollected taxes are examples of these types of items.

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

Fund Financial Statements

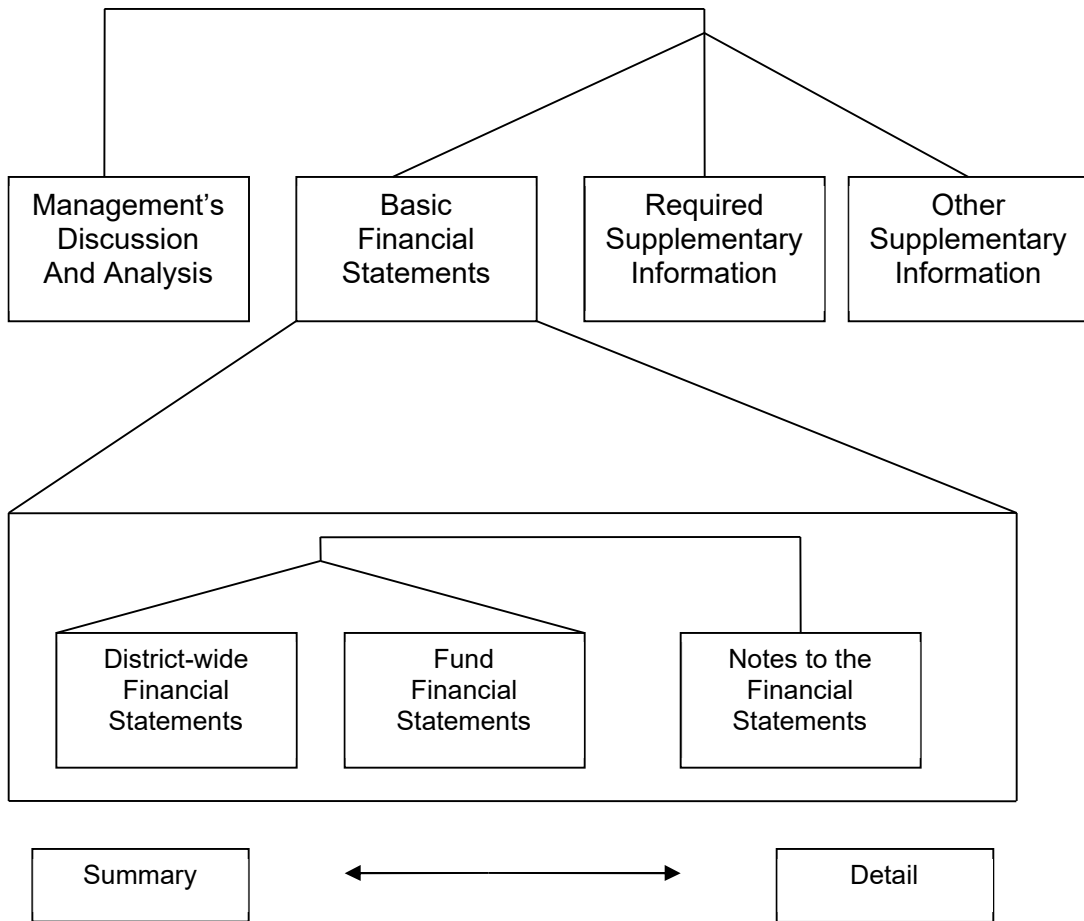
A *fund* is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All District funds can be divided into two categories: governmental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

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

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

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

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



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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Financial Analysis of the District as a Whole

- As noted earlier, net position over time may serve as a useful indicator of the District's financial position. For the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$55,723,312 at June 30, 2022.
- By far, the largest portion of the District's net position reflects its \$170,359,156 in pension liability and deferred inflows reported per GASB Statement No. 68 and GASB Statement No. 75 (Accounting for Post-Employment Benefits or OPEB) of \$7,562,383. This is a result of combined decrease of \$62,828,451 for fiscal year 2022. Long term debt decreased due to scheduled payments and accruals however, \$1.27 million in new Certificates of Participation were issued for the Widefield Parks and Recreation's new facility construction due to account for the significant increase in construction costs due to the global supply chain issues. There was an accounting change due to new GASB provision for the accounting for long term leases.

Governmental Activities. Governmental activities increased the District's net position by \$44,430,980 compared to an increase of \$37,931,147 for the previous fiscal year mainly due to GASB 68 and GASB 75 (PERA Liabilities) and the increase in net investment in fixed assets. Key elements of this increase follow:

- The cost of all governmental activities for fiscal year 2021-2022 was \$73,868,398 compared to \$73,364,483 for the previous fiscal year this decrease was mainly due to the over doubling of the School Finance Act's Budget Stabilization Factor or Negative Factor. The drastic decrease in students due to the Covid-19 Pandemic is also a major contributing factor.
- For fiscal year 2021-2022, governmental activities were financed with \$28,854,095 in property taxes, and \$2,997,436 in specific ownership taxes, and \$62,742,605 of unrestricted state equalization based on the statewide education aid formula. For comparison, in fiscal year 2020-2021, this portion of governmental activities were financed with \$27,291,876 in property taxes and specific ownership taxes, and \$59,796,797 of unrestricted state equalization.
- Users of some of the District's governmental programs financed \$3,146,576 for fiscal year 2021-2022 compared to \$1,688,764 for the previous fiscal year.
- The federal and state governments subsidized certain programs with operating grants and contributions totaling \$16,669,004 for fiscal year 2021-2022 compared to \$18,151,976 for fiscal year 2020-2021. This increase can be attributed to the Federal COVID Relief Funds.
- District and state taxpayers financed most District governmental activities.

Economic Factors and next year's budget

Colorado's economy continue to thrive however, inflation in Colorado is one of the highest in the nation. The State further paid down the Negative Factor in 21-22 providing much needed funding. Federal Funding is still being accessed but most of those funds will be expended by June 30, 2023. The district has continued to prioritize student learning and safety with the spending of these additional funds.

State funding for 2022-2023 was increased above previous levels due to inflation starting to increase and the continued paying down the Negative Factor. This provided the district with funds to provide for significant staff salary increases which were a priority for the School Board to help combat the teacher and other labor shortages.

The state economic forecasts shows significant inflation affecting Amendment 23 minimum increases to education funding. This should provide for significant increases to base funding for the 23-24 school year. These increases will put pressure on the State's budget overall and most likely will result in the Negative Factor increasing again as legislators try to balance the entire state budget. With TABOR refunds projected for the next few years, funding is likely to be good but not great. It is still too early in the process to know what the impact will be for WSD3. The School Board and district's management team is currently planning for the loss of the federal relief funding and the impact on the General Fund budget moving forward.

Growth on the eastern side of Widefield School District 3 is continuing to be monitored. More and more developers are submitting plans to El Paso County and the City of Fountain that will have long ranging impact on the district. There are at a minimum of 21 plans submitted and are in various stages from building (Aspen Trails and the south end of Lorson Ranch) to 50 year plans (Norwood). Water and sewer lines will determine the speed of the growth. Projections from demographers would suggest that in 20 years, there will be more students on the eastern part of the district than the original Security/Widefield area. Growth has slowed due to the inflationary impacts resulting in significantly rising mortgage interest rates. We continue to monitor the growth and are continuing plans to address enrollment at our schools. The impact of the commercial growth in the district around the airport continues to have a positive impact on the district as a whole. The Amazon facility and other buildings have generated significant assessed value (AV). This will benefit homeowners as the commercial facilities takes on a larger share of the property tax support of the district. The increased AV will also have a very positive impact on the Widefield Parks and Recreation fund as it expands into the new facility.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
CONDENSED STATEMENT OF NET POSITION
For June 30, 2022 and 2021

| | Governmental Activities | |
|-----------------------------------|-------------------------|-------------------------|
| | 2022 | 2021 |
| Current & other assets | \$ 83,318,161 | \$ 85,086,283 |
| Capital assets | 93,174,332 | 83,742,274 |
| Total assets | <u>176,492,493</u> | <u>168,828,557</u> |
| Deferred outflows of resources | <u>31,959,810</u> | <u>56,164,462</u> |
| Other liabilities | 11,518,932 | 7,926,316 |
| Long-term liabilities outstanding | 192,085,863 | 246,723,833 |
| Total liabilities | <u>203,604,795</u> | <u>254,650,149</u> |
| Deferred inflows of resources | <u>60,570,820</u> | <u>70,497,162</u> |
| Net position | | |
| Net investment in capital assets | 30,371,111 | 23,942,251 |
| Restricted | 8,596,397 | 8,458,627 |
| Unrestricted | <u>(94,690,820)</u> | <u>(132,555,170)</u> |
| Total net position | <u>\$ (55,723,312)</u> | <u>\$ (100,154,292)</u> |

Condensed Statement of Changes in Net Position
For June 30, 2022 and 2021

| | Governmental Activities | |
|---------------------------------------|-------------------------|-------------------------|
| | 2022 | 2021 |
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 3,146,576 | \$ 1,688,764 |
| Operating grants & contributions | 16,669,004 | 18,151,976 |
| Capital grants and contributions | 333,045 | 298,256 |
| General revenues | | |
| Property and specific ownership taxes | 31,851,531 | 27,091,876 |
| State equalization | 62,742,605 | 59,796,797 |
| Other | <u>3,556,617</u> | <u>4,267,961</u> |
| Total revenues | <u>118,299,378</u> | <u>111,295,630</u> |
| Expenses | | |
| Instruction | 35,247,386 | 35,761,977 |
| Supporting services | 28,768,560 | 28,549,131 |
| Community services & miscellaneous | 1,709,232 | 1,331,116 |
| Food Services | 3,627,935 | 2,766,735 |
| Facilities acquisition & construction | 1,398,408 | 2,294,845 |
| Interest and fiscal charges | <u>3,116,877</u> | <u>2,660,679</u> |
| Total expenses | <u>73,868,398</u> | <u>73,364,483</u> |
| Change in net position | 44,430,980 | 37,931,147 |
| Beginning net position as restated | <u>(100,154,292)</u> | <u>(138,085,439)</u> |
| Ending net position | <u>\$ (55,723,312)</u> | <u>\$ (100,154,292)</u> |

Financial Analysis of the District's Funds

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

General Fund

The General Fund is the major operating fund of the district, providing the majority of the resources for the educational and support programs. Revenues for the General Fund totaled \$96,917,870 in fiscal year 2021-2022 compared to \$87,605,859 in fiscal year 2020-2021, an increase of 10.63%. The following table reflects the amount of revenue from various sources. The majority of decrease was due to a decrease in Per Pupil Revenue from the School Finance Act and enrollment decreases due to the COVID-19 Pandemic.

| <u>Revenues</u> | <u>FY 2021-2022</u> | <u>FY 2020-2021</u> | <u>Amount of Change</u> | <u>Percentage of Change</u> |
|--------------------------|----------------------------|----------------------------|--------------------------------|------------------------------------|
| Property taxes | \$ 22,750,668 | \$ 18,405,972 | \$ 4,344,696 | 23.60 % |
| Specific ownership taxes | 2,724,838 | 2,629,206 | 95,632 | 3.64 |
| State of Colorado | | | | |
| Equalization | 61,928,220 | 59,071,617 | 2,856,603 | 4.84 |
| Other state sources | 6,482,714 | 4,603,799 | 1,878,915 | 40.81 |
| Federal | 1,433,367 | 1,894,301 | (460,934) | (24.33) |
| Other sources | 1,598,063 | 1,000,964 | 597,099 | 59.65 |
| Totals | <u>\$ 96,917,870</u> | <u>\$ 87,605,859</u> | <u>\$ 9,312,011</u> | <u>10.63</u> |

Property Taxes. The 2022 General Fund property tax revenues were based upon a levy of 36.453 mills applied against an assessed valuation of \$627,409,650 while 2021 General Fund property tax revenues were based upon a levy of 39.638 mills applied against an assessed valuation of \$462,359,960.

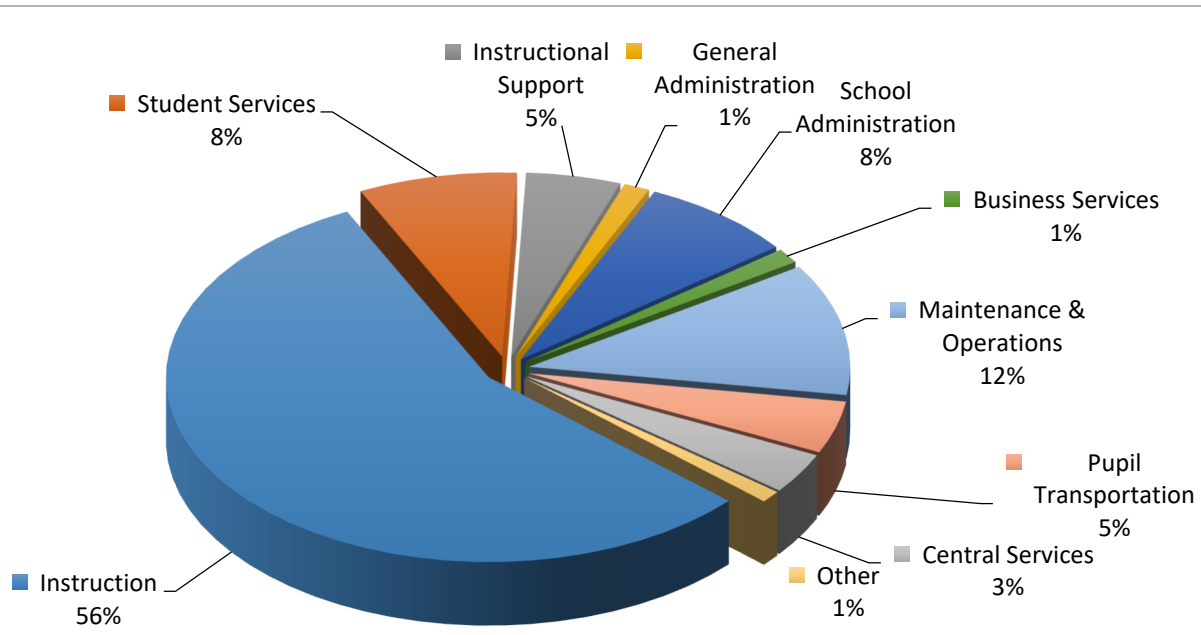
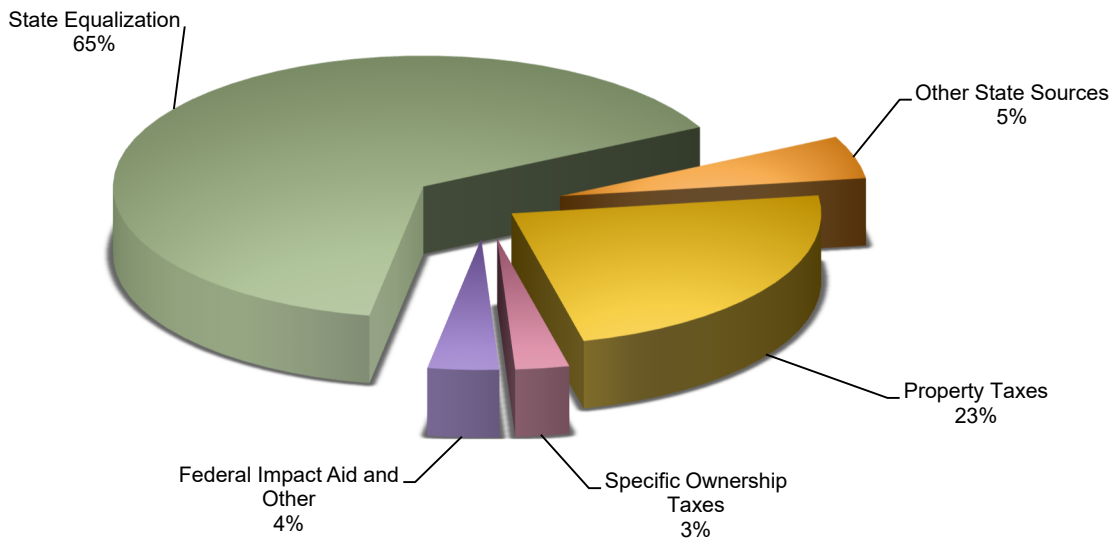
Specific Ownership Taxes. Specific ownership tax is applied to the fair value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their vehicle registrations each year. There was a small increase in specific ownership tax collections of approximately 3.64% percent for fiscal year 2021-2022.

State Equalization. State equalization revenue increased by 6.21% in fiscal year 2021-2022. State equalization revenue is the primary source of revenue for the General Fund, and it provided 64.75% of total General Fund revenue. Payments are received monthly at generally 1/12th of the annual state estimated revenue. In comparison, local property taxpayers provided approximately 23.60% toward funding public education in the district based on the regular mill levy. The local property tax is growing with the commercial property around the airport and reducing the state's share of PPR revenue.

Other State Sources. Other state sources consist of state vocational revenue, state special education revenue, and other miscellaneous state revenues received. PERA's direct contribution (\$1,369,970) was again funded in 2021-2022 as well as a significant supplemental payment by the state for At-Risk funding (\$879,748).

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

El Paso County School District 3 General Fund Revenues FY 21/22



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

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

Expenditures

Fiscal year 2021-2022 expenditures in the General Fund, including the accrual for teacher salaries and benefits, totaled \$94,691,871 compared to \$87,168,873, in fiscal year 2020-2021. This represents an increase of 8.63% from fiscal year 2020-2021. The following table compares expenditures for fiscal years 2021-2022 and 2020-2021 using the GAAP basis of accounting.

| <u>Expenditures</u> | <u>FY 2021-2022</u> | <u>FY 2020-2021</u> | <u>Amount of Change</u> | <u>Percentage of Change</u> |
|---|---------------------|---------------------|-------------------------|-----------------------------|
| Instruction | \$ 51,653,668 | \$ 46,001,361 | \$ 5,652,307 | 12.29 % |
| Supporting services | | | | |
| Student services | 7,345,972 | 7,225,056 | 120,916 | 1.67 |
| Instructional support | 4,387,094 | 4,122,280 | 264,814 | 6.42 |
| General administration | 1,204,339 | 1,664,523 | (460,184) | (27.65) |
| School administration | 7,152,411 | 6,533,766 | 618,645 | 9.47 |
| Business services | 1,205,860 | 1,195,157 | 10,703 | 0.90 |
| Maintenance & operations | 10,716,951 | 9,302,192 | 1,414,759 | 15.21 |
| Student transportation | 4,240,555 | 3,654,086 | 586,469 | 16.05 |
| Central services | 4,561,257 | 4,670,117 | (108,860) | (2.33) |
| Other support services | 827,242 | 468,358 | 358,884 | 76.63 |
| Facilities acquisition and Construction | 1,261,717 | 2,194,352 | (932,635) | (42.50) |
| Debt Service | 134,805 | 137,625 | (2,820) | (2.05) |
| Totals | \$ 94,691,871 | \$ 87,168,873 | \$ 7,522,998 | 8.63 % |

Instruction. Instruction expenditures for fiscal year 2021-2022 were \$51,653,668, 12.29% higher than fiscal year 2020-2021.

Supporting Services. Combined supporting services expenditures for fiscal year 2021-2022 increased slightly from \$38,835,535 to \$41,383,250 resulting in approximately a 6.56 % increase from fiscal year 2020-2021

Bond Redemption Fund

The Debt Service Fund is used to account for the requirements of the district’s general obligation bonds, and was deemed a non-major fund for fiscal year 2021-2022. The primary revenue source for the Bond Redemption Fund is a voter approved floating mill levy (6.459 mills for fiscal year 2021-2022, which generated \$4.05 million to satisfy principal and interest requirements on the district’s general obligation debt). There was an increase in fund balance of \$8,020 for the current fiscal year. The final payment for the bonds that build Mesa Ridge High School were paid off in December 2021. The district’s bonded debt limit is set by Colorado statute at 20% of assessed property valuation. The district’s total bonded debt at June 30, 2022 is \$46,135,000 compared to \$48,290,000 at June 30, 2021. In March of 2021, the district refinanced a portion of the 2018 series bonds for a net savings of \$2.3 million to tax payers over the remaining life of the bonds.

Other Governmental Funds

Summary information for other governmental funds of Widefield School District 3 are listed below for fiscal year 2021-2022

| <u>Other Funds Governmental Funds</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Net Change in Fund Balances</u> |
|---|-------------------|---------------------|--|
| Designated-Purpose Grants | \$ 9,306,889 | 9,306,889 \$ | - |
| Pupil Activity | 1,574,692 | 1,427,686 | 147,006 |
| Food Service | 4,524,233 | 3,565,950 | 958,283 |
| Conservation Trust | 334,890 | 0 | 334,890 |
| Capital Projects | 4,059,568 | 3,526,300 | 533,268 |
| Totals | <u>19,800,272</u> | <u>17,826,825</u> | <u>1,973,447</u> |

The Designated-Purpose Grants Fund is used for grants awarded to the district for a specific purpose. The 2021-2022 revenues of \$9,306,889 match expenditures for the year, compared to \$9,733,328 for fiscal year 2020-2021.

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

The Food Service Fund is used to account for all financial activities associated with the district meal programs. Food Service Fund revenues typically come primarily from charges to users throughout the district and reimbursement for meal expenses under the Federal Child Nutrition Act. Fiscal year 2021-2022 revenues totaled \$4,524,233 (\$2,571,992 for the previous fiscal year) with federal government lunch reimbursements totaling \$4,447,790 (\$2,504,901 for fiscal year 2020-2021). Through the Pandemic, all students received free lunch regardless of status which contributed significantly towards the 2021-2022 increase in fund balance.

The Conservation Trust Fund is used for improving the Widefield Parks and Recreation's parks and recreation areas. Revenue is received from the state lottery. No projects were completed in 2021-2022 and these funds will likely be used as we finish the construction of the new recreation center building.

The Capital Projects Fund is used for various District remodels and construction projects. Total revenues for the Capital Projects Fund amounted to approximately \$4.059 million for 2021-2022 compared to \$1.875 million in 2020-2021.

General Fund Budgetary Highlights

The original fiscal year 2021-2022 budget adopted by the Board of Education for the District as a whole totaled \$206.4 million, including General Fund appropriations of \$118.7 million.

The original fiscal year 2021-2022 adopted budget was modified to reflect changes in funding for a final district-wide budget of \$209.5 million. The General Fund budget increased to \$120.6 million in appropriations. Fiscal year 2021-2022 budgeted state equalization revenues for the General Fund totaled \$62.9 million. The General Fund received \$61.9 million in state equalization revenues and transferred approximately \$3.85 million to other funds, including the charter school.

The General Fund's fund balance for 2021-2022 was budgeted to use \$4.4 million but the actual use of fund balance was \$377,970.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for the primary government, as of June 30, 2021 totaled \$83,742,274 (net of accumulated depreciation and amortization of \$(42,928,526)) compared to \$93,174,332 for fiscal year 2021-2022. This investment in capital assets includes land, buildings, improvements, machinery, equipment, and construction in progress.

| Government-Wide Capital Assets | 2021-2022 | 2020-2021 |
|--------------------------------|---------------|---------------|
| Land & improvements | \$ 3,125,018 | \$ 1,620,278 |
| Buildings & improvements | 110,553,429 | 106,682,055 |
| Equipment | 15,362,226 | 15,512,656 |
| Construction in progress | 9,346,638 | 2,855,811 |
| Leased Assets being amortized | 1,318,847 | 0 |
| Less leased asset amortization | (359,377) | 0 |
| Less accumulated depreciation | (46,172,449) | (42,928,526) |
| Total | \$ 93,174,332 | \$ 83,742,274 |

Long-term debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$70,559,219 including \$1,840,000 due within the next twelve months. For comparison, at the end of the previous fiscal year, the district had total long-term debt outstanding of \$72,009,393 including \$2,300,000 due within the next twelve months. During the year, the district made the final payment on the bonds that built Mesa Ridge High School. Widefield Parks and Recreation issued Certificates of Participation notes (COP) for \$1.27 million due to cost increases due to the pandemic in order to complete the new Parks and Recreation facility. The debt payments will be paid out of current operations of the Parks and Recreation Fund and will not be paid for by a special levy of taxes to the taxpayers of Widefield School District 3.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

Fund Financial Statements

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

Governmental Funds

Component Units

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
JUNE 30, 2022

| | Primary Government Governmental Activities | Component Unit Charter School |
|--|---|--|
| ASSETS | | |
| Cash and investments | \$ 63,852,124 | \$ 1,509 |
| Restricted cash and investments | 12,672,104 | 250,833 |
| Cash with county treasurer | 1,711,629 | - |
| Receivables | 4,788,986 | - |
| Receivable from component unit | - | 82,973 |
| Inventories and prepaid items | 261,492 | - |
| Deposits | 31,826 | - |
| Capital assets, not being depreciated | 12,471,656 | - |
| Capital assets, net of accumulated depreciation/amortization | <u>80,702,676</u> | <u>1,181,780</u> |
| Total assets | <u>176,492,493</u> | <u>1,517,095</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred charge on refunding | 290,512 | - |
| Deferred pension outflows | 30,755,558 | 139,821 |
| Deferred OPEB outflows | <u>913,740</u> | <u>3,160</u> |
| Total deferred outflows of resources | <u>31,959,810</u> | <u>142,981</u> |
| LIABILITIES | | |
| Accounts payable and other current liabilities | 5,760,487 | 3,006 |
| Accrued salaries and benefits | 5,231,514 | 14,129 |
| Payable to component unit | 82,973 | - |
| Unearned revenue | 236,310 | - |
| Accrued interest payable | 207,648 | 19,250 |
| Long-term liabilities: | | |
| Due within one year | 2,041,492 | 55,000 |
| Due in more than one year | 72,693,652 | 1,464,995 |
| Net pension liability | 111,935,258 | 835,401 |
| Net OPEB liability | <u>5,415,461</u> | <u>40,417</u> |
| Total liabilities | <u>203,604,795</u> | <u>2,432,198</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred pension inflows | 58,423,898 | 662,084 |
| Deferred OPEB inflows | <u>2,146,922</u> | <u>35,875</u> |
| Total deferred inflows of resources | <u>60,570,820</u> | <u>697,959</u> |
| NET POSITION | | |
| Net investment in capital assets | 30,371,111 | (338,215) |
| Restricted for: | | |
| Emergency reserve (TABOR) | 3,180,000 | 29,100 |
| Debt service | 5,015,897 | 231,583 |
| Multi-year obligations | 400,500 | - |
| Unrestricted | <u>(94,690,820)</u> | <u>(1,392,549)</u> |
| Total net position | <u>\$ (55,723,312)</u> | <u>\$ (1,470,081)</u> |

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

| <u>Functions/Programs</u> | <u>Program Revenue</u> | | | | <u>Net (Expense) Revenue and Changes in Net Position</u> | |
|--|------------------------|---------------------------------|---|---|--|---------------------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Primary Government</u> | <u>Component Unit</u> |
| Primary government | | | | | | |
| Governmental activities | | | | | | |
| Instruction | \$ 35,247,386 | \$ 2,855,027 | \$ 10,454,427 | \$ - | \$ (21,937,932) | \$ - |
| Supporting services | 28,768,560 | 244,326 | 1,128,195 | - | (27,396,039) | - |
| Food service operations | 3,627,935 | 47,223 | 4,466,995 | - | 886,283 | - |
| Community services | 1,709,232 | - | - | 333,045 | (1,376,187) | - |
| Facilities acquisition | 1,398,408 | - | 619,387 | - | (779,021) | - |
| Interest and other fiscal charges | 3,116,877 | - | - | - | (3,116,877) | - |
| Total primary government | <u>\$ 73,868,398</u> | <u>\$ 3,146,576</u> | <u>\$ 16,669,004</u> | <u>\$ 333,045</u> | <u>(53,719,773)</u> | |
| Component unit | | | | | | |
| Charter school | <u>\$ 577,580</u> | <u>\$ -</u> | <u>\$ 289,841</u> | <u>\$ 27,987</u> | | <u>(259,752)</u> |
| General revenues: | | | | | | |
| Property taxes | | | | | 28,854,095 | 89,183 |
| Specific ownership taxes | | | | | 2,997,436 | - |
| State equalization | | | | | 62,742,605 | - |
| Per pupil revenue | | | | | - | 814,385 |
| Grants and contributions not restricted to specific programs | | | | | 1,303,866 | - |
| Unrestricted investment earnings | | | | | 288,768 | 81 |
| Gain on asset disposal | | | | | 1,241,655 | - |
| Miscellaneous | | | | | 722,328 | 9,424 |
| Total general revenues | | | | | <u>98,150,753</u> | <u>913,073</u> |
| Change in net position | | | | | 44,430,980 | 653,321 |
| Net position - beginning, (deficit) | | | | | <u>(100,154,292)</u> | <u>(2,123,402)</u> |
| Net position - ending (deficit) | | | | | <u>\$ (55,723,312)</u> | <u>\$ (1,470,081)</u> |

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

| | <u>General Fund</u> | <u>Governmental Designated- Purpose Grants Fund</u> | <u>Widefield Parks And Recreation Fund</u> | <u>Building Fund</u> | <u>Total Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|---|--|----------------------|---------------------------------|---|
| ASSETS | | | | | | |
| Cash and investments | \$ 29,202,225 | \$ - | \$ 23,424,190 | \$ - | \$ 11,225,710 | \$ 63,852,125 |
| Restricted cash and investments | - | - | - | 8,108,902 | 4,563,202 | 12,672,104 |
| Cash with county treasurer | 1,315,645 | - | 162,376 | - | 233,608 | 1,711,629 |
| Receivables | 817,755 | 3,101,137 | 66,394 | - | 803,700 | 4,788,986 |
| Due from component units | 100,119 | - | - | - | 2,016 | 102,135 |
| Due from internal balances | 3,307,290 | - | 3,580 | - | 245,847 | 3,556,717 |
| Inventories and prepaid items | 168,709 | - | - | - | 92,783 | 261,492 |
| Other assets | 31,826 | - | - | - | - | 31,826 |
| Total assets | <u>\$ 34,943,569</u> | <u>\$ 3,101,137</u> | <u>\$ 23,656,540</u> | <u>\$ 8,108,902</u> | <u>\$ 17,166,866</u> | <u>\$ 86,977,014</u> |
| LIABILITIES | | | | | | |
| Accounts payable and other current liabilities | \$ 2,221,762 | \$ 397,109 | \$ 142,228 | \$ 2,748,636 | \$ 250,752 | \$ 5,760,487 |
| Due to interfunds | 1,192,093 | 2,014,141 | 166,653 | 6,582 | 177,248 | 3,556,717 |
| Due to charter school | - | 185,109 | - | - | - | 185,109 |
| Accrued salaries and benefits | 4,603,618 | 504,778 | - | - | 123,118 | 5,231,514 |
| Accrued compensated absences | 11,978 | - | - | - | - | 11,978 |
| Unearned revenue | 236,310 | - | - | - | - | 236,310 |
| Total liabilities | <u>8,265,761</u> | <u>3,101,137</u> | <u>308,881</u> | <u>2,755,218</u> | <u>551,118</u> | <u>14,982,115</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue-property taxes | 203,148 | - | 25,036 | - | 36,468 | 264,652 |
| FUND BALANCES | | | | | | |
| Nonspendable for: | | | | | | |
| Inventories and prepaid expenses | 168,709 | - | - | - | 92,783 | 261,492 |
| Restricted for: | | | | | | |
| Emergency reserve (TABOR) | 3,180,000 | - | - | - | - | 3,180,000 |
| Debt service | - | - | - | - | 5,015,897 | 5,015,897 |
| Capital projects | - | - | - | 5,353,684 | - | 5,353,684 |
| Multi-year obligations | 400,500 | - | - | - | - | 400,500 |
| Committed for: | | | | | | |
| Food service operations | - | - | - | - | 1,830,013 | 1,830,013 |
| Pupil Activities | - | - | - | - | 1,648,455 | 1,648,455 |
| Community Activities | - | - | 23,322,623 | - | - | 23,322,623 |
| Capital projects | - | - | - | - | 852,056 | 852,056 |
| Assigned for: | | | | | | |
| Risk management | 1,257,831 | - | - | - | - | 1,257,831 |
| Capital projects | - | - | - | - | 7,140,076 | 7,140,076 |
| Print Shop | 165,688 | - | - | - | - | 165,688 |
| Supplies Carryover | 462,150 | - | - | - | - | 462,150 |
| Unassigned | 20,839,782 | - | - | - | - | 20,839,782 |
| Total fund balances | <u>26,474,660</u> | <u>-</u> | <u>23,322,623</u> | <u>5,353,684</u> | <u>16,579,280</u> | <u>71,730,247</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 34,943,569</u> | <u>\$ 3,101,137</u> | <u>\$ 23,656,540</u> | <u>\$ 8,108,902</u> | <u>\$ 17,166,866</u> | <u>\$ 86,977,014</u> |

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2022

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

| | | |
|---|----|----------------------------|
| Total fund balance - governmental funds | \$ | 71,730,247 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Capital assets, not being depreciated | \$ | 12,471,656 |
| Capital assets, net of depreciation/amortization | | <u>80,702,676</u> |
| | | 93,174,332 |
| Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds. | | |
| | | 264,652 |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds: | | |
| Deferred charges on refunding | \$ | 290,512 |
| Net pension liabilities | | (111,935,258) |
| Pension outflows | | 30,755,558 |
| Pension inflows | | (58,423,898) |
| Net OPEB liabilities | | (5,415,461) |
| OPEB outflows | | 913,740 |
| OPEB inflows | | (2,146,922) |
| Accrued interest | | (207,648) |
| Compensated absences | | (3,520,531) |
| Unamortized premiums | | (8,729,219) |
| Capital leases | | (643,416) |
| Bonds and COPs payable | | <u>(61,830,000)</u> |
| | | <u>(220,892,543)</u> |
| Net position of governmental activities in the statement of net position | \$ | <u><u>(55,723,312)</u></u> |

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

| | <u>General Fund</u> | <u>Governmental Designated- Purpose Grants Fund</u> | <u>Widefield Parks And Recreation Fund</u> | <u>Building Fund</u> | <u>Total Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|---|--|----------------------|---------------------------------|---|
| REVENUES | | | | | | |
| Local sources | \$ 27,073,569 | \$ - | \$ 3,783,773 | \$ 21,597 | \$ 5,949,056 | \$ 40,867,587 |
| State sources | 68,410,934 | - | - | 388,039 | 257,726 | 68,668,660 |
| Federal sources | 1,433,367 | 9,306,889 | - | - | 4,447,790 | 15,188,046 |
| Total revenues | <u>96,917,870</u> | <u>9,306,889</u> | <u>3,783,773</u> | <u>409,636</u> | <u>10,654,572</u> | <u>125,133,929</u> |
| EXPENDITURES | | | | | | |
| Instruction | 51,653,668 | 6,402,188 | - | 24,057 | 1,225,727 | 59,281,583 |
| Supporting services | 41,641,681 | 2,250,891 | 732,656 | - | 333,202 | 44,958,430 |
| Food service operations | - | - | - | - | 3,565,950 | 3,565,950 |
| Community services | - | 22,888 | 1,696,684 | - | - | 1,719,572 |
| Facilities acquisition and construction | 1,261,717 | 630,922 | 2,272,950 | 6,568,817 | 3,395,057 | 7,560,646 |
| Debt service | 134,805 | - | 782,357 | - | 4,053,169 | 9,023,500 |
| Total expenditures | <u>94,691,871</u> | <u>9,306,889</u> | <u>5,484,647</u> | <u>6,592,874</u> | <u>12,573,105</u> | <u>126,109,681</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,225,999</u> | <u>-</u> | <u>(1,700,874)</u> | <u>(6,183,238)</u> | <u>(1,918,533)</u> | <u>(975,752)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | - | 3,900,000 | 3,900,000 |
| Transfers out | (3,855,000) | - | (45,000) | - | - | (3,900,000) |
| Other long-term debt proceeds | - | - | 1,270,000 | - | - | 1,270,000 |
| Insurance recoveries | 1,305,438 | - | - | - | - | 1,305,438 |
| Other uses | (54,407) | - | - | - | - | (54,407) |
| Total other financing sources (uses) | <u>(2,603,969)</u> | <u>-</u> | <u>1,225,000</u> | <u>-</u> | <u>3,900,000</u> | <u>2,521,031</u> |
| Net change in fund balances | (377,970) | - | (475,874) | (6,183,238) | 1,981,467 | (5,055,615) |
| Fund balances - beginning | 26,852,630 | - | 23,798,497 | 11,536,922 | 14,597,813 | 76,785,862 |
| Fund balances - ending | <u>\$ 26,474,660</u> | <u>\$ -</u> | <u>\$ 23,322,623</u> | <u>\$ 5,353,684</u> | <u>\$ 16,579,280</u> | <u>\$ 71,730,247</u> |

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

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

| | | |
|--|--------------------|----------------------|
| Net change in fund balances - total governmental funds: | | \$ (5,055,615) |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p> | | |
| Capital outlays | \$ 13,338,444 | |
| Depreciation/amortization | <u>(4,050,184)</u> | 9,288,260 |
| <p>In the statement of activities, the disposition of capital assets generates a gain or loss and is reported as such. The gain or loss on disposition is not a current financial resource or use and, thus, is not reported in the funds.</p> | | |
| | | (75,049) |
| <p>Governmental funds do not present property tax revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p> | | |
| | | 44,094 |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> | | |
| Repayment of principal | \$ 2,505,431 | |
| Proceeds from long term debt | <u>(1,270,000)</u> | 1,235,431 |
| <p>Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year.</p> | | |
| | | (55,625) |
| <p>Certain pension and OPEB expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p> | | |
| Interest expense | \$ (4,488) | |
| Amortization of debt premiums and deferred amounts on refunding | (166,116) | |
| Changes in pension related items | 38,674,777 | |
| Changes in OPEB related items | <u>545,311</u> | <u>39,049,484</u> |
| Change in net position of governmental activities | | <u>\$ 44,430,980</u> |

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

NOTES TO FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of El Paso County School District No. 3 (the District) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY

El Paso County School District No. 3 was organized in 1874. The District provides education services to the residents in the southeast section of El Paso County. It is governed by a five member Board of Education, which is the policy-making body of the District.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is both legally and substantively separate from the government.

Discretely Presented Component Unit. The District's Board of Education has authorized one charter school for operation, James Madison Charter Academy (JMCA). The charter school is fiscally dependent on the District since the District provides the majority of support to the school in the form of per pupil revenue. Also, the potential exists that their exclusion from the District's reporting entity would cause the District's statements to be misleading or incomplete.

Separately issued financial statements for the charter school may be obtained by writing to the following:

James Madison Charter Academy
660 Syracuse St #2546
Colorado Springs, Colorado 80911

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Any fiduciary activities are reported only in the fund financial statements. *Governmental activities* are supported by taxes and intergovernmental revenues. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to students or other service users 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services provided and used, the elimination of which would distort the direct costs and program revenues reported for the various functions.

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

The District reports the following major governmental funds:

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

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

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

The *Building Fund* is used to account for all resources available for acquiring capital sites, buildings, and equipment.

Additionally, the District reports the following fund types:

Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes.

The *Food Service Fund* accounts for transactions related to food service operations. It also accounts for USDA school breakfast/lunch money.

The *Pupil Activity Fund* accounts for financial transactions related to school sponsored pupil intrascholastic and interscholastic athletic and other related activities.

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

The *Debt Service Fund* accounts for the accumulation of resources for and the payment of principal, interest and related expenses on long-term general obligation debt.

Capital Project Funds account for the proceeds, construction and acquisition of capital assets.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash 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 governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Property taxes, interest, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

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

Cash and cash equivalents

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash account is available to meet current operating requirements. Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

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

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are reported at net asset value.

Receivables

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

Inventories and prepaid items

Inventories are recorded as expenditures/expenses when consumed rather than when purchased. General warehouse inventory is valued at cost using the first-in/first-out (FIFO) method. Food Service inventory is stated at cost using the weighted average method except for commodities. USDA donated food commodities are valued at estimated acquisition value at the date of receipt.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Capital assets

Capital assets include tangible and intangible assets that are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for lease assets, are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For lease assets, only those intangible lease assets that cost more than \$50,000 are reported as capital assets.

As the District constructs or acquires capital assets each period they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed in Note 1 D. *Leases* below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

| | |
|--------------------------|--------------|
| Land improvements | 20 years |
| Buildings & improvements | 10-100 years |
| Furniture & equipment | 5-15 years |
| Vehicles | 8 years |

Accrued Salaries and Benefits

Salaries and benefits of teachers and other contracted personnel are paid over a twelve-month period, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, are reported as a liability in the respective funds and have been fully funded as of the fiscal year end.

Unearned Revenue

Unearned revenue includes resources received by the District before the related revenue can be recognized because the earnings process is not complete.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred outflows/inflows of resources

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

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

Leases

Lessee: The District is a lessee for noncancellable leases of buildings and equipment. The District recognizes a lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-term liabilities

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

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

Pensions

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

Other Post Employment Benefit (OPEB) Plan

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

Net position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund balance classification

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

E. REVENUES AND EXPENDITURES/EXPENSES

Property Taxes

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

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The tax rate for the year ended December 31, 2022 is 36.453 mills for general operating expenses, including a 13.531 mill levy override, 4.449 mills for the Widefield Parks and Recreation, and 6.459 mills for the payment of long-term debt. The District's assessed valuation for the collection year 2022 is \$628,455,800. Taxes are assessed on \$627,409,650 which is the assessed valuation net of tax increment financing.

Specific Ownership Taxes

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

Compensated Absences

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. ESTIMATES

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

G. UPCOMING ACCOUNTING AND REPORTING CHANGES

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based informational technology arrangements (SBITAs). Under this statement, a government generally should recognize a right-to-use subscription asset—an intangible asset and a corresponding liability. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

Management has not yet determined the effect this statement will have on the District's financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are required by State law for all funds, except fiduciary funds. The Superintendent submits a proposed budget to the Board of Education for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. It also includes a statement describing the major objectives of the educational program to be undertaken by the District and the manner in which the budget proposes to fulfill such objectives. Public hearings are conducted by the Board of Education to obtain public comments.

On or before June 30, the budget is adopted by formal resolution. After the adoption of the budget, the board may review and change the budget at any time prior to January 31 of the fiscal year for which the budget was adopted. After January 31, the board may not review or change the budget except where money for a specific purpose from other than ad valorem taxes becomes available which could not have been reasonable foreseen at the time of the adoption of the budget. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between line items within any fund rests with the Superintendent. Revisions that alter the total expenditures in any fund must be approved by the Board of Education. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances as established by the Board of Education.

Budgets for all fund types are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). GAAP-basis accounting requires that expenditures of salaries and related benefits be recorded in the fiscal year earned. Thus, the District budgets for all accrued salaries and related benefits earned but unpaid at June 30. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Superintendent and/or Board of Education throughout the year. All appropriations lapse at the end of each fiscal year.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2022 is as follows:

| | |
|-------------|----------------------|
| Deposits | \$ 346,960 |
| Investments | <u>76,181,340</u> |
| Total | <u>\$ 76,528,300</u> |

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

| | |
|---------------------------------|----------------------|
| Cash and investments | \$ 63,856,196 |
| Restricted cash and investments | <u>12,672,104</u> |
| Total | <u>\$ 76,528,300</u> |

Cash deposits with financial institutions

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

The carrying amount of the District’s deposits at June 30, 2022 was \$346,960 and the bank balances were \$1,829,836. Of the bank balances, \$250,000 were covered by federal deposit insurance, and the remaining balance was uninsured but collateralized in accordance with the provisions of the PDPA.

Investments

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2022 the District’s investment balances were as follows:

| <u>Investment Type</u> | <u>Year-end Balance</u> | <u>Measurement</u> | <u>Maturity</u> | <u>Standard & Poor’s Rating</u> |
|------------------------|-------------------------|--------------------|-------------------|-------------------------------------|
| ColoTrust | \$ 65,106,198 | Net asset value | Less than 90 days | AAAm |
| Money Market | 34,692 | Amortized cost | Less than 90 days | AAA |
| Commercial Paper | 248,513 | Amortized cost | Up to one year | AAA |
| Repurchase agreement | 2,436,001 | Fair Value | Up to 1 year | AAA |
| Supernational | 240,958 | Fair Value | Up to five years | AAA |
| US Treasuries | 5,645,084 | Fair Value | Up to five years | AA+ |
| US Agencies | 2,347,322 | Fair Value | Up to five years | AA+ |
| US Corporate | <u>122,572</u> | Fair Value | Up to five years | AAA |
| | <u>\$ 76,181,340</u> | | | |

Local Government Investment Pools. The Colorado Local Government Liquid Asset Trust (ColoTrust) is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating the pools, which operate in conformity with the Securities and Exchange Commission’s Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended, which includes the maintenance of each share equal in value to \$1.00. Investments are limited to those allowed by state statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodians’ internal records identify the investments owned by the participating governments. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. As a means of managing its exposure to interest rate risk, the District has a board approved investment policy that limits investment maturities to five years or less. Colorado revised statute 24-75-601 also limits investment maturities to five years or less.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and District policy limit investments to those described above.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be caused by the District’s investment in a single issuer. The District places no limit on the amount it may invest in any one issuer. More than 20 percent of the District’s investments are in ColoTrust. These investments are 85.0% of the District’s total investments.

In accordance with state law, the District has designated Wells Fargo as the third party custodian for the bond redemption fund. Funds held at June 30, 2022 total \$4,563,202 and are included with the ColoTrust investments above.

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Fair value of investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

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

All of the District’s investments that are measured at fair market value are categorized as Level 2 investments. District investments measured at net asset value or amortized cost fall under the existing exemptions to fair value measurement.

NOTE 4 –RECEIVABLES

Receivables as of June 30, 2022 for the government’s individual major funds, and non-major governmental funds in the aggregate are as follows:

| | <u>General Fund</u> | <u>Designated Purpose Grants Fund</u> | <u>Widefield Parks and Recreation Fund</u> | <u>Building Fund</u> | <u>Nonmajor Funds</u> | <u>Total</u> |
|--------|-------------------------|---|--|--------------------------|---------------------------|---------------------|
| Taxes | \$ 538,249 | \$ - | \$ 66,394 | \$ - | \$ 95,843 | \$ 700,486 |
| Grants | 228,468 | 3,101,137 | - | - | 333,739 | 3,663,344 |
| Other | <u>51,038</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>374,118</u> | <u>425,156</u> |
| Total | <u>\$ 817,755</u> | <u>\$ 3,101,137</u> | <u>\$ 66,394</u> | <u>\$ -</u> | <u>\$ 803,700</u> | <u>\$ 4,788,986</u> |

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and Payables

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

The composition of interfund balances as of June 30, 2022, is as follows:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|---|---------------------------------|-------------------------------|
| General Fund | \$ 3,303,219 | \$ 1,188,022 |
| Governmental Designated Purpose Grants Fund | - | 2,014,141 |
| Widefield Parks And Recreation Fund | 3,580 | 166,653 |
| Building Fund | - | 6,582 |
| Nonmajor Funds | <u>245,847</u> | <u>177,248</u> |
| Total | <u>\$ 3,552,646</u> | <u>\$ 3,552,646</u> |

Interfund transfers

The composition of interfund transfers for the year ended June 30, 2022, is as follows:

| | <u>Transfers From Other Funds</u> | <u>Transfers To Other Funds</u> |
|-------------------------------------|---------------------------------------|-------------------------------------|
| General Fund | \$ - | \$ 3,855,000 |
| Widefield Parks and Recreation Fund | - | 45,000 |
| Nonmajor Funds | <u>3,900,000</u> | <u>-</u> |
| Total | <u>\$ 3,900,000</u> | <u>\$ 3,900,000</u> |

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

| | <u>Beginning Balance, As Restated</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|---|----------------------|-----------------------|---------------------------|
| <i>Governmental activities</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,371,018 | \$ 1,754,000 | \$ - | \$ 3,125,018 |
| Construction in progress | <u>2,855,811</u> | <u>10,566,861</u> | <u>(4,076,034)</u> | <u>9,346,638</u> |
| Total capital assets not being depreciated | <u>4,226,829</u> | <u>12,320,861</u> | <u>(4,076,034)</u> | <u>12,471,656</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 105,831,315 | 4,850,769 | (128,655) | 110,553,429 |
| Equipment | <u>15,512,656</u> | <u>242,848</u> | <u>(393,278)</u> | <u>15,362,226</u> |
| Total capital assets being depreciated | <u>121,343,971</u> | <u>5,093,617</u> | <u>(521,933)</u> | <u>125,915,655</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (31,867,020) | (2,890,102) | 53,606 | (34,703,516) |
| Equipment | <u>(11,020,387)</u> | <u>(841,824)</u> | <u>393,278</u> | <u>(11,468,933)</u> |
| Total accumulated depreciation | <u>(42,887,407)</u> | <u>(3,731,926)</u> | <u>446,884</u> | <u>(46,172,449)</u> |
| Total capital assets being depreciated, net | <u>78,456,564</u> | <u>1,361,691</u> | <u>(75,049)</u> | <u>79,743,206</u> |
| Lease assets being amortized: | | | | |
| Buildings and improvements | 1,187,910 | - | - | 1,187,910 |
| Equipment | <u>130,937</u> | <u>-</u> | <u>-</u> | <u>130,937</u> |
| Total lease assets being amortized | <u>1,318,847</u> | <u>-</u> | <u>-</u> | <u>1,318,847</u> |
| Less accumulated amortization for: | | | | |
| Buildings and improvements | (41,119) | (248,511) | - | (289,630) |
| Equipment | <u>-</u> | <u>(69,747)</u> | <u>-</u> | <u>(69,747)</u> |
| Total accumulated amortization | <u>(41,119)</u> | <u>(318,258)</u> | <u>-</u> | <u>(359,377)</u> |
| Total lease assets being amortized, net | <u>1,277,728</u> | <u>(318,258)</u> | <u>-</u> | <u>959,470</u> |
| Capital assets, net of accumulated depreciation/amortization | <u>79,734,292</u> | <u>1,043,433</u> | <u>(75,049)</u> | <u>80,702,676</u> |
| Total governmental activities capital assets | <u>\$ 83,961,121</u> | <u>\$ 13,364,294</u> | <u>\$ (4,151,083)</u> | <u>\$ 93,174,332</u> |

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

| | |
|---|---------------------|
| Instruction | \$ 2,348,021 |
| Support services – students | 94,383 |
| Support services – instructional | 232,812 |
| General administration | 14,363 |
| School administration | 39,323 |
| Business services | 2,711 |
| Operations and maintenance | 851,475 |
| Transportation services | 338,681 |
| Central services | 66,431 |
| Food services | <u>61,984</u> |
| Total depreciation/amortization expense | <u>\$ 4,050,184</u> |

NOTE 7 – LEASES

District as lessee

The District, as a lessee, has entered into lease agreements involving educational facilities and equipment with lease terms of 3 to 10 years. The total costs of these right-to-use lease assets are recorded as \$1,318,847 less accumulated amortization of \$359,377. The District has determined that as of June 30, 2022, there is no loss associated with an impairment of the right-to-use lease asset.

The future lease payments under lease agreements as of June 30, 2022 are as follows:

| <u>Fiscal Year</u> <u>Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|-------------------|------------------|-------------------|
| 2023 | \$ 189,514 | \$ 15,854 | \$ 205,368 |
| 2024 | 191,385 | 11,046 | 202,431 |
| 2025 | 132,517 | 6,183 | 138,700 |
| 2026 | <u>130,000</u> | <u>3,055</u> | <u>133,055</u> |
| Total | <u>\$ 643,416</u> | <u>\$ 36,138</u> | <u>\$ 679,554</u> |

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – LONG-TERM LIABILITIES

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

General Obligation bonds outstanding at June 30, 2022 are as follows:

| | <u>Original Borrowing</u> | <u>Interest Rates</u> | <u>Final Maturity</u> | <u>Outstanding at Year-end</u> |
|--------------------------------|-------------------------------|---------------------------|---------------------------|------------------------------------|
| <i>Governmental Activities</i> | | | | |
| G.O. Refunding bonds 2012 | \$ 3,990,000 | 2.00% - 3.00% | 2022 | \$ - |
| G.O. Refunding bonds 2018 | 49,500,00 | 5.00% | 2043 | 32,650,000 |
| G.O. Refunding bonds 2021 | 13,945,000 | 0.20% - 2.14% | 2033 | <u>13,485,000</u> |
| Total | | | | <u>\$ 46,135,000</u> |

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

| <u>Fiscal Year Ending June 30</u> | <u>Governmental Activities</u> | |
|---------------------------------------|--------------------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 1,455,000 | \$ 1,827,346 |
| 2024 | 1,520,000 | 1,762,017 |
| 2025 | 1,590,000 | 1,693,111 |
| 2026 | 1,660,000 | 1,620,090 |
| 2027 | 1,730,000 | 1,572,734 |
| 2028 – 2032 | 9,065,000 | 7,441,540 |
| 2033 –2037 | 11,235,000 | 5,917,240 |
| 2038 –2042 | 14,525,000 | 2,724,875 |
| 2043 | <u>3,355,000</u> | <u>83,875</u> |
| Total | <u>\$ 46,135,000</u> | <u>\$ 24,642,828</u> |

Legal Debt Margin

| | |
|--|-----------------------|
| Assessed valuation | <u>\$ 628,455,800</u> |
| Debt limit – 20% of assessed valuation | 125,691,160 |
| General obligation debt | <u>(46,135,000)</u> |
| | <u>\$ 79,556,160</u> |

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

Certificate of Participation

Certificates of participation (COPs) are lease-financing agreements used by the District to provide funds for the acquisition and construction of major capital facilities. Under such agreements, the District makes regular payments over an annually renewable contract for the acquisition and use of the property. COPs have been issued for governmental activities. COPs are not considered general obligations of the District. COPs are secured by lease revenues through a lease-financing agreement.

Certificates of participation outstanding at June 30, 2022 are as follows:

| | <u>Original Borrowing</u> | <u>Interest Rates</u> | <u>Final Maturity</u> | <u>Outstanding at Year-end</u> |
|------------------------------------|-------------------------------|---------------------------|---------------------------|------------------------------------|
| <i>Governmental Activities</i> | | | | |
| Certificates of Participation 2021 | \$ 14,570,000 | 4.00% | 2047 | \$ 14,425,000 |
| Certificates of Participation 2022 | 1,270,000 | 2.90% | 2038 | <u>1,270,000</u> |
| Total | | | | <u>\$ 15,695,000</u> |

Annual debt service requirements to maturity for certificates of participation are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Governmental Activities</u> | |
|---------------------------------------|--------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 385,000 | \$ 609,726 |
| 2024 | 425,000 | 590,727 |
| 2025 | 445,000 | 574,069 |
| 2026 | 460,000 | 556,739 |
| 2027 | 475,000 | 538,837 |
| 2028 – 2032 | 2,685,000 | 2,398,839 |
| 2033 –2037 | 3,230,000 | 1,832,514 |
| 2038 –2042 | 3,480,000 | 1,171,850 |
| 2043 –2047 | <u>4,110,000</u> | <u>423,600</u> |
| Total | <u>\$ 15,695,000</u> | <u>\$ 8,696,901</u> |

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-Term Liabilities

Changes in the District’s long-term liabilities for the year ended June 30, 2022, are as follows:

| | Beginning Balance, <u>As Restated</u> | <u>Additions</u> | <u>Deductions</u> | Ending Balance | Amount Due Within <u>One year</u> |
|--------------------------------------|---|----------------------|------------------------|-----------------------|---|
| <i>Governmental Activities</i> | | | | | |
| General obligation bonds | \$ 48,290,000 | \$ - | \$ (2,155,000) | \$ 46,135,000 | \$ 1,455,000 |
| Premiums | <u>6,390,559</u> | <u>-</u> | <u>(311,982)</u> | <u>6,078,577</u> | <u>-</u> |
| Total bonds payable | <u>54,680,559</u> | <u>-</u> | <u>(2,466,982)</u> | <u>52,213,577</u> | <u>1,455,000</u> |
| | | | | | |
| COPs payable | 14,570,000 | 1,270,000 | (145,000) | 15,695,000 | 385,000 |
| Premiums | <u>2,758,834</u> | <u>-</u> | <u>(108,192)</u> | <u>2,650,642</u> | <u>-</u> |
| Total COPs payable | <u>17,328,834</u> | <u>1,270,000</u> | <u>(253,192)</u> | <u>18,345,642</u> | <u>385,000</u> |
| | | | | | |
| Leases | 848,847 | - | (205,431) | 643,416 | 189,514 |
| Compensated absences | 3,821,612 | 55,625 | (344,728) | 3,532,509 | 11,978 |
| Net pension liability | 164,292,015 | 28,033,781 | (80,390,538) | 111,935,258 | - |
| Net OPEB liability | <u>5,970,813</u> | <u>254,508</u> | <u>(809,860)</u> | <u>5,415,461</u> | <u>-</u> |
| | | | | | |
| <i>Total Governmental Activities</i> | <u>\$ 246,942,680</u> | <u>\$ 29,613,914</u> | <u>\$ (84,470,731)</u> | <u>\$ 192,085,863</u> | <u>\$ 2,041,492</u> |

General obligation bonds are liquidated in the debt service fund. Leases are liquidated in the general fund. Approximately 90% of compensated absences, net pension liabilities, and net OPEB liabilities are normally liquidated in the general fund, with remaining amounts liquidated in other governmental funds.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – 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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions provisions as of June 30, 2022: Eligible employees of, El Paso County School District No. 3 and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.50% of their PERA-includable salary during the period of July 1, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below:

| | July 1, 2021 Through June 30, 2022 |
|--|--|
| Employer contribution rate | 10.90% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | (1.02)% |
| Amount apportioned to the SCHDTF | 9.88% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 | 4.50% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 5.50% |
| Total employer contribution rate to the SCHDTF | 19.88% |

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 3 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from El Paso County School District No. 3 were \$12,329,412 for the year ended June 30, 2022.

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. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. The El Paso County School District No. 3 proportion of the net pension liability was based on El Paso County School District No. 3 contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2022, the El Paso County School District No. 3 reported a liability of \$111,935,258 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the El Paso County School District No. 3 as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with El Paso County School District No. 3 were as follows:

| | |
|--|----------------|
| El Paso County School District No. 3 proportionate share of the net pension liability | \$ 111,935,258 |
| The State’s proportionate share of the net pension liability as a nonemployer contributing entity associated with the El Paso County School District No. 3 | 12,831,948 |
| Total | \$ 124,767,206 |

At December 31, 2021, the El Paso County School District No. 3 proportion was 0.9618607646%, which was a decrease of 0.1248716088% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the El Paso County School District No. 3 recognized pension expense of \$38,674,777 and revenue of \$(3,067,469) for support from the State as a nonemployer contributing entity. At June 30, 2022, the El Paso County School District No. 3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 4,285,330 | \$ - |
| Changes of assumptions or other inputs | 8,545,421 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 42,084,313 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 11,831,561 | 16,339,585 |
| Contributions subsequent to the measurement date | 6,093,246 | N/A |
| Total | \$ 30,755,558 | \$ 58,423,898 |

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$6,093,246 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|--------------|
| Year ended June 30: | |
| 2023 | \$ (878,014) |
| 2024 | (15,466,371) |
| 2025 | (12,309,066) |
| 2026 | (5,108,135) |
| 2027 | - |
| Thereafter | - |

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the El Paso County School District No. 3 proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one 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 | \$ 164,759,545 | \$ 111,935,258 | \$ 67,855,362 |

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan

Plan description. Eligible employees of the El Paso County School District No. 3 are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and 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 by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) 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 health benefits program is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 3 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from El Paso County School District No. 3 were \$632,612 for the year ended June 30, 2022.

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

At June 30, 2022, the El Paso County School District No. 3 reported a liability of \$5,415,461 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. The El Paso County School District No. 3 proportion of the net OPEB liability was based on El Paso County School District No. 3 contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the El Paso County School District No. 3 proportion was 0.6280214869%, which was a decrease of 0.0003363221% from its proportion measured as of December 31, 2020.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

For the year ended June 30, 2022, the El Paso County School District No. 3 recognized OPEB expense of \$545,311. At June 30, 2022, the El Paso County School District No. 3 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 8,252 | \$ 1,284,072 |
| Changes of assumptions or other inputs | 112,121 | 293,757 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 335,219 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 480,726 | 233,874 |
| Contributions subsequent to the measurement date | 312,641 | N/A |
| Total | \$ 913,740 | \$ 2,146,922 |

\$312,641 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | |
|---------------------|--------------|
| Year ended June 30: | |
| 2023 | \$ (387,878) |
| 2024 | (413,019) |
| 2025 | (404,692) |
| 2026 | (280,317) |
| 2027 | (52,862) |
| Thereafter | (7,055) |

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

| | |
|---|---|
| Actuarial cost method | Entry age |
| Price inflation | 2.30% |
| Real wage growth | 0.70% |
| Wage inflation | 3.00% |
| Salary increases, including wage inflation | 3.40% - 11.00% |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Health care cost trend rates | |
| PERA benefit structure: | |
| Service-based premium subsidy | 0.00% |
| PERACare Medicare plans | 4.50% in 2021, 6.00% in 2022 gradually decreasing to 4.50% in 2029 |
| Medicare Part A premiums | 3.75% in 2021, gradually increasing to 4.50% in 2029 |
| DPS benefit structure: | |
| Service-based premium subsidy | 0.00% |
| PERACare Medicare plans | N/A |
| Medicare Part A premiums | N/A |

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

| Medicare Plan | Initial Costs for Members without Medicare Part A | | |
|---|--|----------------------------|--|
| | Monthly Cost | Monthly Premium | Monthly Cost Adjusted to Age 65 |
| Medicare Advantage/Self-Insured Rx | \$633 | \$230 | \$591 |
| Kaiser Permanente Medicare Advantage HMO | 596 | 199 | 562 |

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

| Year | PERACare Medicare Plans | Medicare Part A Premiums |
|-------------|------------------------------------|-------------------------------------|
| 2021 | 4.50% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.80% | 4.00% |
| 2024 | 5.60% | 4.00% |
| 2025 | 5.40% | 4.00% |
| 2026 | 5.10% | 4.25% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2021 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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

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

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

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|---------------------------------------|----------------------------|---------------------|----------------------------|
| Initial PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Ultimate PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A trend rate | 2.75% | 3.75% | 4.75% |
| Ultimate Medicare Part A trend rate | 3.50% | 4.50% | 5.50% |
| Net OPEB Liability | \$5,259,944 | \$5,415,461 | \$5,595,615 |

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

- 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 be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|----------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$ 6,289,491 | \$ 5,415,461 | \$ 4,668,888 |

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

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description - Employees of the District that are also members of the SCHDTF (see Note 11) may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy. The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$20,500 for the calendar years 2021 and 2022). In addition, catch-up contributions, up to \$6,500 for the calendar years 2021 and 2022 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the C.R.S., as amended.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 – JOINT VENTURES

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

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

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

Condensed financial information for the CEBT pool for the year ended June 30, 2022 is as follows:

| | | |
|------------------------|----|-------------|
| Assets | \$ | 79,224,000 |
| Liabilities | | 39,273,000 |
| Net Position | \$ | 39,951,000 |
| Revenue | \$ | 245,000,000 |
| Expenses | | 243,143,000 |
| Change in Net Position | \$ | 1,857,000 |

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

NOTE 13 – VOC-ED PARTNERSHIP

On July 19, 2016, the District entered in a partnership with Peyton School District No. 23 JT (Peyton) under C.R.S. 29-1-2013(4) to provide vocational education services in their respective service areas through a single shared location under joint management. During the year ended June 30, 2022, the District made no contributions to the partnership. As of June 30, 2022, the District had a 70.50% interest in the partnership.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 - RISK MANAGEMENT

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

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

Condensed financial information for the Pool for the year ended June 30, 2022 is as follows:

| | |
|--|---------------|
| Assets | \$ 64,950,784 |
| Liabilities | 26,580,413 |
| Capital and Surplus | 38,418,935 |
| Total Liabilities, Capital and Surplus | \$ 64,950,784 |
| Revenue | \$ 33,169,730 |
| Expenses | (22,573,689) |
| Change in Unassigned Surplus | \$ 10,596,041 |

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Grants

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the District, any such adjustments will not have a material adverse effect on the financial position of the District.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction commitments

The District has active construction projects as of June 30, 2022. The projects are for mill levy override projects. At year end the District’s commitments with contractors are as follows:

| Project | Spent-to-Date | Remaining commitment |
|--|---------------|-------------------------|
| Watson Jr. High project | \$ 297,013 | \$ 1,332,111 |
| Widefield Parks and Rec facility expansion project | \$ 1,743,864 | \$ 19,058,425 |
| Webster Elementary project | \$ 4,395,203 | \$ 9,050,314 |
| Watson Mech Room projects | \$ 50,969 | \$ 226,823 |

NOTE 16 - TAX, SPENDING, AND DEBT LIMITATIONS

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

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2022 there is a \$3,180,000 reservation of fund balance in the General Fund for the amendment.

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 17 – COLORADO SCHOOL DISTRICT/BOCES, ELECTRONIC DATA INTEGRITY CHECK FIGURES

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

NOTE 18 – ADOPTION OF NEW ACCOUNTING STANDARD

El Paso County School District No. 3 implemented GASB Statement No. 87, *Leases*, effective July 1, 2021. This Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. There is no effect on fund balance or net position as a result of the implementation of this standard. However, beginning lease assets and lease liabilities were restated by \$218,847 to reflect the net present value of financing leases as of June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2022

| | <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> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| District's proportion of the net pension liability (asset) | 0.9618607646% | 1.0867323734% | 0.9968525474% | 0.9039493157% | 1.0126099514% | 1.0297487230% | 1.0522824491% | 1.0773554077% | 1.0801336807% |
| District's proportionate share of the net pension liability (asset) | \$ 111,935,258 | \$ 164,292,015 | \$ 148,927,607 | \$ 160,062,793 | \$ 327,442,070 | \$ 306,596,015 | \$ 160,939,171 | \$ 146,017,846 | \$ 137,770,759 |
| State's proportionate share of the net pension liability (asset) associated with the School | 12,831,948 | - | 18,889,573 | 21,886,364 | - | - | - | - | - |
| Total | <u>\$ 124,767,206</u> | <u>\$ 164,292,015</u> | <u>\$ 167,817,180</u> | <u>\$ 181,949,158</u> | <u>\$ 327,442,070</u> | <u>\$ 306,596,015</u> | <u>\$ 160,939,171</u> | <u>\$ 146,017,846</u> | <u>\$ 137,770,759</u> |
| District's covered payroll | \$ 60,113,266 | \$ 58,119,968 | \$ 58,581,344 | \$ 49,694,949 | \$ 46,710,500 | \$ 46,216,967 | \$ 45,858,228 | \$ 45,133,463 | \$ 43,543,628 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 186.21% | 282.68% | 254.22% | 322.09% | 701.00% | 663.38% | 350.95% | 323.52% | 316.40% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.9% | 67.0% | 64.5% | 57.0% | 44.0% | 43.1% | 59.2% | 62.8% | 64.1% |

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

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

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2022

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 12,329,412 | \$ 11,520,476 | \$ 11,736,512 | \$ 9,978,241 | \$ 8,926,253 | \$ 8,496,301 | \$ 8,175,266 | \$ 7,449,337 | \$ 6,663,765 |
| Contributions in relation to the contractually required contribution | <u>(12,329,412)</u> | <u>(11,520,476)</u> | <u>(11,736,512)</u> | <u>(9,978,241)</u> | <u>(8,926,253)</u> | <u>(8,496,301)</u> | <u>(8,175,266)</u> | <u>(7,449,337)</u> | <u>(6,663,765)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 62,019,174 | \$ 57,950,080 | \$ 60,559,918 | \$ 52,160,171 | \$ 47,278,885 | \$ 46,225,796 | \$ 46,109,792 | \$ 44,131,142 | \$ 41,700,656 |
| Contributions as a percentage of covered payroll | 19.88% | 19.88% | 19.38% | 19.13% | 18.88% | 18.38% | 17.73% | 16.88% | 15.98% |

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

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

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2022

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net OPEB liability (asset) | 0.6280214869% | 0.6283578090% | 0.6511118770% | 0.5875603071% | 0.5753455746% | 0.5853279536% |
| District's proportionate share of the net OPEB liability (asset) | \$ 5,415,461 | \$ 5,970,813 | \$ 7,318,484 | \$ 7,994,005 | \$ 7,477,191 | \$ 7,588,976 |
| District's covered payroll | \$ 60,113,266 | \$ 58,119,968 | \$ 58,581,344 | \$ 49,694,949 | \$ 46,710,500 | \$ 46,216,967 |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 9.01% | 10.27% | 12.49% | 16.09% | 16.01% | 16.42% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 39.4% | 32.8% | 24.5% | 17.0% | 17.5% | 16.7% |

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

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

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2022

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 632,612 | \$ 591,857 | \$ 617,698 | \$ 530,518 | \$ 482,250 | \$ 471,611 |
| Contributions in relation to the contractually required contribution | <u>(632,612)</u> | <u>(591,857)</u> | <u>(617,698)</u> | <u>(530,518)</u> | <u>(482,250)</u> | <u>(471,611)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 62,019,174 | \$ 57,950,080 | \$ 60,559,918 | \$ 52,160,171 | \$ 47,278,885 | \$ 46,225,796 |
| Contributions as a percentage of covered payroll | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% |

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

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

See the accompanying independent auditors' report.

GENERAL FUND

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|---------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local sources: | | | | |
| Property taxes | \$ 23,425,000 | \$ 22,830,000 | \$ 22,750,668 | \$ (79,332) |
| Specific ownership taxes | 2,440,000 | 2,480,000 | 2,724,838 | 244,838 |
| Other local sources | 2,320,175 | 2,508,404 | 1,598,063 | (910,341) |
| Total local sources | <u>28,185,175</u> | <u>27,818,404</u> | <u>27,073,569</u> | <u>(744,835)</u> |
| State sources: | | | | |
| State equalization | 62,027,407 | 62,931,050 | 61,928,220 | (1,002,830) |
| Special education | 2,350,000 | 2,350,000 | 2,219,988 | (130,012) |
| Other state funding | 2,217,875 | 2,511,797 | 4,262,726 | 1,750,929 |
| Total state sources | <u>66,595,282</u> | <u>67,792,847</u> | <u>68,410,934</u> | <u>618,087</u> |
| Federal sources | 1,360,000 | 1,435,000 | 1,433,367 | (1,633) |
| Total revenues | <u>96,140,457</u> | <u>97,046,251</u> | <u>96,917,870</u> | <u>(128,381)</u> |
| EXPENDITURES | | | | |
| Instruction | 53,901,308 | 54,135,648 | 51,653,668 | 2,481,980 |
| Supporting services: | | | | |
| Student services | 8,238,431 | 8,245,492 | 7,345,973 | 899,519 |
| Instructional staff | 4,582,130 | 4,587,592 | 4,387,094 | 200,498 |
| General administration | 1,247,033 | 1,435,740 | 1,204,339 | 231,401 |
| School administration | 7,332,457 | 7,298,616 | 7,152,411 | 146,205 |
| Business services | 1,516,540 | 1,477,709 | 1,205,859 | 271,850 |
| Operation and maintenance | 10,234,768 | 10,247,040 | 10,716,951 | (469,911) |
| Student transportation | 4,011,118 | 4,076,930 | 4,240,555 | (163,625) |
| Central services | 5,803,969 | 5,861,329 | 4,561,257 | 1,300,072 |
| Other support services | 1,018,224 | 755,518 | 827,242 | (71,724) |
| Facilities acquisition and construction | - | - | 1,261,717 | (1,261,717) |
| Debt service | 137,625 | 134,805 | 134,805 | - |
| Contingency reserves | 20,668,760 | 22,332,462 | - | 22,332,462 |
| Total expenditures | <u>118,692,363</u> | <u>120,588,881</u> | <u>94,691,871</u> | <u>25,897,010</u> |
| Excess (deficiency) of revenues over expenditures | <u>(22,551,906)</u> | <u>(23,542,630)</u> | <u>2,225,999</u> | <u>25,768,629</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,645,000 | 1,545,000 | - | (1,545,000) |
| Transfers out | (3,800,000) | (5,400,000) | (3,855,000) | 1,545,000 |
| Insurance recoveries | 545,000 | 545,000 | 1,305,438 | 760,438 |
| Other uses | - | - | (54,407) | (54,407) |
| Total other financing sources (uses) | <u>(1,610,000)</u> | <u>(3,310,000)</u> | <u>(2,603,969)</u> | <u>706,031</u> |
| Net change in fund balance | (24,161,906) | (26,852,630) | (377,970) | 26,474,660 |
| Fund balance - beginning | 24,161,906 | 26,852,630 | 26,852,630 | - |
| Fund balance - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 26,474,660</u> | <u>\$ 26,474,660</u> |

See the accompanying independent auditors' report.

GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|-------------------------|-------------------------|------------------|---|
| | <u>Original</u> | <u>Final Budget</u> | | |
| REVENUES | | | | |
| Federal sources | \$ 20,702,823 | \$ 20,880,764 | \$ 9,306,889 | \$ (11,573,875) |
| EXPENDITURES | | | | |
| Instruction | 14,241,425 | 14,363,831 | 6,402,188 | 7,961,643 |
| Supporting services: | | | | |
| Student services | 1,488,504 | 1,501,296 | 669,152 | 832,144 |
| Instructional staff | 1,494,561 | 1,507,406 | 671,875 | 835,531 |
| School administration | 1,395,590 | 1,407,585 | 627,383 | 780,202 |
| Operation and maintenance | 285,703 | 288,159 | 128,437 | 159,722 |
| Student transportation | 44,489 | 44,872 | 20,000 | 24,872 |
| Central services | 298,176 | 300,739 | 134,044 | 166,695 |
| Community services | 50,913 | 51,351 | 22,888 | 28,463 |
| Facilities acquisition and construction | 1,403,462 | 1,415,525 | 630,922 | 784,603 |
| Total expenditures | <u>20,702,823</u> | <u>20,880,764</u> | <u>9,306,889</u> | <u>11,573,875</u> |
| Net change in fund balance | - | - | - | - |
| Fund balance - beginning | - | - | - | - |
| Fund balance - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See the accompanying independent auditors' report.

WIDEFIELD PARKS AND RECREATION FUND

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
WIDEFIELD PARK AND RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022**

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|--|-------------------------|---------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Local sources: | | | | |
| Property taxes | \$ 3,180,000 | \$ 2,820,000 | \$ 2,817,988 | \$ (2,012) |
| Specific ownership taxes | 215,000 | 235,000 | 272,598 | 37,598 |
| Other local sources | 471,655 | 477,801 | 693,187 | 215,386 |
| Total revenues | <u>3,866,655</u> | <u>3,532,801</u> | <u>3,783,773</u> | <u>250,972</u> |
| EXPENDITURES | | | | |
| Supporting services: | | | | |
| Operation and maintenance | 3,160,960 | 3,164,667 | 732,656 | 2,432,011 |
| Community services | 7,320,146 | 7,328,733 | 1,696,684 | 5,632,049 |
| Facilities acquisition and construction | 9,806,379 | 9,817,882 | 2,272,950 | 7,544,932 |
| Debt service | 3,375,388 | 3,379,348 | 782,357 | 2,596,991 |
| Contingency reserves | 3,495,210 | 3,595,668 | - | 3,595,668 |
| Total expenditures | <u>27,158,083</u> | <u>27,286,298</u> | <u>5,484,647</u> | <u>21,801,651</u> |
| Excess (deficiency) of revenues over expenditures | <u>(23,291,428)</u> | <u>(23,753,497)</u> | <u>(1,700,874)</u> | <u>22,052,623</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (45,000) | (45,000) | (45,000) | - |
| Other long-term debt proceeds | - | - | 1,270,000 | 1,270,000 |
| Total other financing sources (uses) | <u>(45,000)</u> | <u>(45,000)</u> | <u>1,225,000</u> | <u>1,270,000</u> |
| Net change in fund balance | (23,336,428) | (23,798,497) | (475,874) | 23,322,623 |
| Fund balance - beginning | 23,336,428 | 23,798,497 | 23,798,497 | - |
| Fund balance - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,322,623</u> | <u>\$ 23,322,623</u> |

See the accompanying independent auditors' report.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

BUILDING FUND

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|-------------------------|---------------------|---|
| REVENUES | | | |
| Local sources: | | | |
| Other local sources | \$ 15,000 | \$ 21,597 | \$ 6,597 |
| State sources: | | | |
| Other state funding | 750,000 | 388,039 | (361,961) |
| Total revenues | <u>765,000</u> | <u>409,636</u> | <u>(355,364)</u> |
| EXPENDITURES | | | |
| Instruction | 44,889 | 24,057 | 20,832 |
| Facilities acquisition and construction | 12,257,033 | 6,568,817 | 5,688,216 |
| Total expenditures | <u>12,301,922</u> | <u>6,592,874</u> | <u>5,709,048</u> |
| Net change in fund balance | (11,536,922) | (6,183,238) | 5,353,684 |
| Fund balance - beginning | <u>11,536,922</u> | <u>11,536,922</u> | <u>-</u> |
| Fund balance - ending | <u>\$ -</u> | <u>\$ 5,353,684</u> | <u>\$ 5,353,684</u> |

See the accompanying independent auditors' report.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Food Service Fund

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

Pupil Activity Fund

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

Conservation Trust Fund

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

Bond Redemption Fund

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

Capital Projects Fund

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2022

| | Food Service Fund | Pupil Activity Fund | Conservation Trust Fund | Bond Redemption Fund | Capital Projects Fund | Total Nonmajor Governmental Funds |
|--|------------------------------|--------------------------------|------------------------------------|-------------------------------------|----------------------------------|--|
| ASSETS | | | | | | |
| Cash and investments | \$ 1,682,673 | \$ 1,683,524 | \$ 848,056 | \$ - | \$ 7,011,457 | \$ 11,225,710 |
| Restricted cash and investments | - | - | - | 4,563,202 | - | 4,563,202 |
| Cash with county treasurer | - | - | - | 233,608 | - | 233,608 |
| Taxes receivable | - | - | - | 95,843 | - | 95,843 |
| Intergovernmental receivables | 333,739 | - | - | - | - | 333,739 |
| Other receivables | - | - | - | - | 374,118 | 374,118 |
| Due from component units | - | 2,016 | - | - | - | 2,016 |
| Due from internal balances | - | - | 4,000 | 159,712 | 82,135 | 245,847 |
| Inventories and prepaid expenses | 92,783 | - | - | - | - | 92,783 |
| Total assets | \$ 2,109,195 | \$ 1,685,540 | \$ 852,056 | \$ 5,052,365 | \$ 7,467,710 | \$ 17,166,866 |
| LIABILITIES | | | | | | |
| Accounts payable and other current liabilities | \$ 61,820 | \$ 4,000 | \$ - | \$ - | \$ 184,932 | \$ 250,752 |
| Accrued salaries and benefits | 123,118 | - | - | - | - | 123,118 |
| Due to interfunds | 1,461 | 33,085 | - | - | 142,702 | 177,248 |
| Total liabilities | 186,399 | 37,085 | - | - | 327,634 | 551,118 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue-property taxes | - | - | - | 36,468 | - | 36,468 |
| FUND BALANCES | | | | | | |
| Nonspendable for: | | | | | | |
| Inventories and prepaid expenses | 92,783 | - | - | - | - | 92,783 |
| Restricted for: | | | | | | |
| Debt service | - | - | - | 5,015,897 | - | 5,015,897 |
| Committed for: | | | | | | |
| Food service operations | 1,830,013 | - | - | - | - | 1,830,013 |
| Pupil activities | - | 1,648,455 | - | - | - | 1,648,455 |
| Conservation activities | - | - | 852,056 | - | - | 852,056 |
| Assigned for: | | | | | | |
| Capital projects | - | - | - | - | 7,140,076 | 7,140,076 |
| Total fund balances | 1,922,796 | 1,648,455 | 852,056 | 5,015,897 | 7,140,076 | 16,579,280 |
| Total liabilities and fund balances | \$ 2,109,195 | \$ 1,685,540 | \$ 852,056 | \$ 5,052,365 | \$ 7,467,710 | \$ 17,166,866 |

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022**

| | Food Service Fund | Pupil Activity Fund | Conservation Trust Fund | Bond Redemption Fund | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|------------------------------|--------------------------------|------------------------------------|-------------------------------------|----------------------------------|--|
| REVENUES | | | | | | |
| Local sources | \$ 50,065 | \$ 1,474,692 | \$ 334,890 | \$ 4,061,189 | \$ 28,220 | \$ 5,949,056 |
| State sources | 26,378 | - | - | - | 231,348 | 257,726 |
| Federal sources | 4,447,790 | - | - | - | - | 4,447,790 |
| Total revenues | 4,524,233 | 1,474,692 | 334,890 | 4,061,189 | 259,568 | 10,654,572 |
| EXPENDITURES | | | | | | |
| Instruction | - | 1,201,545 | - | - | 24,182 | 1,225,727 |
| Supporting services | - | 226,141 | - | - | 107,061 | 333,202 |
| Food service operations | 3,565,950 | - | - | - | - | 3,565,950 |
| Facilities acquisition and construction | - | - | - | - | 3,395,057 | 3,395,057 |
| Debt service | - | - | - | 4,053,169 | - | 4,053,169 |
| Total expenditures | 3,565,950 | 1,427,686 | - | 4,053,169 | 3,526,300 | 12,573,105 |
| Excess (deficiency) of revenues over expenditures | 958,283 | 47,006 | 334,890 | 8,020 | (3,266,732) | (1,918,533) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | 100,000 | - | - | 3,800,000 | 3,900,000 |
| Net change in fund balances | 958,283 | 147,006 | 334,890 | 8,020 | 533,268 | 1,981,467 |
| Fund balances - beginning | 964,513 | 1,501,449 | 517,166 | 5,007,877 | 6,606,808 | 14,597,813 |
| Fund balances - ending | \$ 1,922,796 | \$ 1,648,455 | \$ 852,056 | \$ 5,015,897 | \$ 7,140,076 | \$ 16,579,280 |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|----------------------------|-------------------------|---------------------|---|
| REVENUES | | | |
| Local sources: | | | |
| Other local sources | \$ 39,000 | \$ 50,065 | \$ 11,065 |
| State sources: | | | |
| Other state funding | 13,500 | 26,378 | 12,878 |
| Federal sources | <u>3,006,500</u> | <u>4,447,790</u> | <u>1,441,290</u> |
| Total revenues | <u>3,059,000</u> | <u>4,524,233</u> | <u>1,465,233</u> |
| EXPENDITURES | | | |
| Food service operations | 3,367,353 | 3,565,950 | (198,597) |
| Contingency reserves | <u>656,160</u> | <u>-</u> | <u>656,160</u> |
| Total expenditures | <u>4,023,513</u> | <u>3,565,950</u> | <u>457,563</u> |
| Net change in fund balance | (964,513) | 958,283 | 1,922,796 |
| Fund balance - beginning | <u>964,513</u> | <u>964,513</u> | <u>-</u> |
| Fund balance - ending | <u>\$ -</u> | <u>\$ 1,922,796</u> | <u>\$ 1,922,796</u> |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
PUPIL ACTIVITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------------|---------------|---|
| REVENUES | | | |
| Local sources: | | | |
| Other local sources | \$ 2,113,500 | \$ 1,474,692 | \$ (638,808) |
| EXPENDITURES | | | |
| Instruction | 1,862,889 | 1,201,545 | 661,344 |
| Supporting services: | | | |
| Student services | 285,297 | 184,014 | 101,283 |
| Instructional staff | 65,314 | 42,127 | 23,187 |
| Contingency reserves | 1,501,449 | - | 1,501,449 |
| Total expenditures | 3,714,949 | 1,427,686 | 2,287,263 |
| Excess (deficiency) of revenues over expenditures | (1,601,449) | 47,006 | 1,648,455 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 100,000 | 100,000 | - |
| Net change in fund balance | (1,501,449) | 147,006 | 1,648,455 |
| Fund balance - beginning | 1,501,449 | 1,501,449 | - |
| Fund balance - ending | \$ - | \$ 1,648,455 | \$ 1,648,455 |

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
 CONSERVATION TRUST FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2022**

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|-------------------------|---------------|---|
| REVENUES | | | |
| Local sources: | | | |
| Other local sources | \$ 250,500 | \$ 334,890 | \$ 84,390 |
| EXPENDITURES | | | |
| Facilities acquisition and construction | 250,500 | - | 250,500 |
| Contingency reserves | 517,166 | - | 517,166 |
| Total expenditures | 767,666 | - | 767,666 |
| Net change in fund balance | (517,166) | 334,890 | 852,056 |
| Fund balance - beginning | 517,166 | 517,166 | - |
| Fund balance - ending | \$ - | \$ 852,056 | \$ 852,056 |

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
 BOND REDEMPTION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2022**

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|----------------------------|----------------------------|----------------------------|---|
| REVENUES | | | |
| Local sources: | | | |
| Property taxes | \$ 4,044,645 | \$ 4,055,731 | \$ 11,086 |
| Other local sources | 10,000 | 5,458 | (4,542) |
| Total revenues | <u>4,054,645</u> | <u>4,061,189</u> | <u>6,544</u> |
| EXPENDITURES | | | |
| Debt service | <u>4,054,645</u> | <u>4,053,169</u> | <u>1,476</u> |
| Total expenditures | <u>4,054,645</u> | <u>4,053,169</u> | <u>1,476</u> |
| Net change in fund balance | - | 8,020 | 8,020 |
| Fund balance - beginning | <u>5,007,877</u> | <u>5,007,877</u> | - |
| Fund balance - ending | <u><u>\$ 5,007,877</u></u> | <u><u>\$ 5,015,897</u></u> | <u><u>\$ 8,020</u></u> |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|-------------------------|---------------------|---|
| REVENUES | | | |
| Local sources: | | | |
| Other local sources | \$ 57,500 | \$ 28,220 | \$ (29,280) |
| State sources: | | | |
| Other state funding | 401,850 | 231,348 | (170,502) |
| Total revenues | <u>459,350</u> | <u>259,568</u> | <u>(199,782)</u> |
| EXPENDITURES | | | |
| Instruction | 36,446 | 24,182 | 12,264 |
| Supporting services: | - | | |
| Operation and maintenance | 161,356 | 107,061 | 54,295 |
| Facilities acquisition and construction | 5,116,840 | 3,395,057 | 1,721,783 |
| Contingency reserves | 5,551,516 | - | 5,551,516 |
| Total expenditures | <u>10,866,158</u> | <u>3,526,300</u> | <u>7,339,858</u> |
| Excess (deficiency) of revenues over expenditures | (10,406,808) | (3,266,732) | 7,140,076 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 3,800,000 | 3,800,000 | - |
| Net change in fund balance | (6,606,808) | 533,268 | 7,140,076 |
| Fund balance - beginning | 6,606,808 | 6,606,808 | - |
| Fund balance - ending | <u>\$ -</u> | <u>\$ 7,140,076</u> | <u>\$ 7,140,076</u> |

See the accompanying independent auditors' report.

COMPLIANCE SECTION

SINGLE AUDIT

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Additional Award Identification | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|----------------------------|--|---|--|-----------------------------------|
| U.S. Department of Agriculture | | | | | |
| <i>Child Nutrition Cluster</i> | | | | | |
| Passed Through Colorado Department of Education | | | | | |
| School Breakfast Program | 10.553 | | 5553 | \$ - | \$ 692,033 |
| National School Lunch Program | 10.555 | | 4555 | | 3,474,223 |
| Summer Food Service Program for Children | 10.559 | COVID-19 | 4559 | | 7,173 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | | | | | |
| Passed Through Colorado Department of Human Services | | | | | |
| National School Lunch Program | 10.555 | | 4555 | | 271,298 |
| <i>Total Child Nutrition Cluster</i> | | | | | <u>4,444,727</u> |
| <i>SNAP Cluster</i> | | | | | |
| Passed Through Colorado Department of Education | | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | | 4649 | | 3,063 |
| <i>Total SNAP Cluster</i> | | | | | <u>3,063</u> |
| <i>Total U.S. Department of Agriculture</i> | | | | | <u>4,447,790</u> |
| U.S. Department of Defense | | | | | |
| Direct Programs | | | | | |
| Promoting K-12 Student Achievement at Military-Connected Schools | 12.556 | | | | 325,322 |
| Department of Defense Impact Aid | 12.558 | | | | 224,979 |
| Reserve Officer Training Corps (ROTC) | 12.Unknown | | | | 91,327 |
| <i>Total U.S. Department of Defense</i> | | | | | <u>641,628</u> |
| U.S. Department of Education | | | | | |
| Direct Programs | | | | | |
| Impact Aid | 84.041 | | | 9,640 | 694,781 |
| | | | | | <u>694,781</u> |
| Passed Through Colorado Department of Education | | | | | |
| <i>Special Education Cluster</i> | | | | | |
| Special Education: Grants to States IDEA Part B | 84.027 | | 4027 | | 1,725,447 |
| Special Education: Grants to States IDEA Part B | 84.027X | COVID-19 | 6027 | | 232,513 |
| Special Education: Preschool Grants | 84.173 | | 4173 | | 74,495 |
| Special Education: Preschool Grants | 84.173X | COVID-19 | 6173 | | 25,549 |
| <i>Total Special Education Cluster</i> | | | | | <u>2,058,004</u> |
| Title I Grants to Local Educational Agencies | 84.010 | | 4010 | | 1,386,580 |
| Special Education - State Personnel Development | 84.323 | | 5323 | | 14,724 |
| English Language Acquisition Grants | 84.365 | | 4365 | | 4,997 |
| Improving Teacher Quality State Grants | 84.367 | | 4367 | | 251,032 |
| Student Support and Academic Enrichment Program | 84.424 | | 4424 | | 111,252 |
| Education Stabilization Fund | | | | | |
| ESSER III | 84.425U | COVID-19 | 4414 | | 2,557,882 |
| ESSER II | 84.425D | COVID-19 | 4420 | | 2,450,900 |
| ESSER I | 84.425D | COVID-19 | 4425 | | 77,400 |
| Passed through Colorado Community College System | | | | | |
| Vocational Education - Carl Perkins | 84.048 | | 4048 | | 68,796 |
| <i>Total U.S. Department of Education</i> | | | | <u>9,640</u> | <u>9,676,348</u> |
| Total Federal Awards | | | | <u>\$ 9,640</u> | <u>\$ 14,765,766</u> |

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of El Paso County School District No. 3 under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of El Paso County School District No. 3, it is not intended to and does not present the financial position, changes in net position, or cash flows of El Paso County School District No. 3.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – NON-CASH ASSISTANCE

During the year end June 30, 2022, El Paso County School District No. 3 received \$271,298 in non-cash assistance in the form of food commodities. Valuation of commodities is based on fair market value at the time of receipt.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of El Paso County School District No. 3, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise El Paso County School District No. 3’s basic financial statements, and have issued our report thereon dated November 2, 2022. The financial statements of the discretely presented component unit was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with that component unit.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Paso County School District No. 3’s internal control over financial reporting (internal control) 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 El Paso County School District No. 3’s internal control. Accordingly, we do not express an opinion on the effectiveness of El Paso County School District No. 3’s internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Hoelting & Company, Inc.

Colorado Springs, Colorado
November 2, 2022



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited El Paso County School District No. 3's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of El Paso County School District No. 3's major federal programs for the year ended June 30, 2022. El Paso County School District No. 3's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, El Paso County School District No. 3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of El Paso County School District No. 3 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of El Paso County School District No. 3's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to El Paso County School District No. 3's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on El Paso County School District No. 3's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about El Paso County School District No. 3's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding El Paso County School District No. 3's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of El Paso County School District No. 3's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of El Paso County School District No. 3's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies

in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Hoelting & Company Inc.

Colorado Springs, Colorado
November 2, 2022

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs?

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

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

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| CFDA 84.027 & 84.173 | Special Education Cluster (IDEA) |
| CFDA 84.041 | Impact Aid |
| CFDA 84.425 | Education Stabilization Fund |

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section II—Financial Statement Findings

No findings reported.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the El Paso County School District No. 3 Schedule of Findings and Questioned Costs for the year ended June 30, 2021. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2022 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

There were no prior year audit findings.

STATE COMPLIANCE



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

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 3, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the El Paso County School District No. 3's basic financial statements as listed in the table of contents. Our report thereon, dated November 2, 2022, expressed an unmodified opinion on those financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 3's basic financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 *Colorado School District/BOCES, Auditor's Integrity Report* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Colorado Springs, Colorado
November 2, 2022



Colorado Department of Education
Auditors Integrity Report
 District: 0990 - Widefield 3
 Fiscal Year 2021-22
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

| Fund Type & Number | Beg Fund Balance & Prior Per Adj (6880*) | 1000 - 5999 Total Revenues & Other Sources | 0001-0999 Total Expenditures & Other Uses | 6700-6799 & Prior Per Adj (6880*) Ending Fund Balance |
|---|--|--|---|---|
| Governmental | + | | - | = |
| 10 General Fund | 25,867,409 | 91,476,553 | 92,127,133 | 25,216,829 |
| 18 Risk Mgmt Sub-Fund of General Fund | 985,221 | 2,891,755 | 2,619,146 | 1,257,831 |
| 19 Colorado Preschool Program Fund | 0 | 0 | 0 | 0 |
| Sub- Total | 26,852,630 | 94,368,308 | 94,746,278 | 26,474,659 |
| 11 Charter School Fund | -7,163 | 1,093,228 | 1,018,717 | 67,347 |
| 20,26-29 Special Revenue Fund | 24,564,980 | 5,514,453 | 5,653,921 | 24,425,512 |
| 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 | 964,513 | 4,524,234 | 3,565,951 | 1,922,796 |
| 22 Govt Designated-Purpose Grants Fund | 0 | 9,306,889 | 9,306,889 | 0 |
| 23 Pupil Activity Special Revenue Fund | 1,501,449 | 1,574,692 | 1,427,686 | 1,648,454 |
| 25 Transportation Fund | 0 | 0 | 0 | 0 |
| 31 Bond Redemption Fund | 5,007,877 | 4,061,189 | 4,053,168 | 5,015,898 |
| 39 Certificate of Participation (COP) Debt Service Fund | 0 | 0 | 0 | 0 |
| 41 Building Fund | 11,536,922 | 409,636 | 6,592,875 | 5,353,684 |
| 42 Special Building Fund | 0 | 0 | 0 | 0 |
| 43 Capital Reserve Capital Projects Fund | 6,606,808 | 4,059,568 | 3,526,300 | 7,140,076 |
| 46 Supplemental Cap Const, Tech, Main Fund | 0 | 0 | 0 | 0 |
| Totals | 77,028,016 | 124,912,196 | 129,891,785 | 72,048,427 |
| 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