

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**EL PASO COUNTY, COLORADO**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2022**



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**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2022**

**FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT ..... I**

Management's Discussion and Analysis .....IV

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position..... 1  
Statement of Activities..... 2  
Balance Sheet – Governmental Funds ..... 3  
Reconciliation of the Balance Sheet of the Governmental Funds to the  
Statement of Net Position ..... 4  
Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Governmental Funds ..... 5  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities..... 6

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

Notes to Basic Financial Statements..... 7

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund ..... 46  
Budgetary Comparison Schedule – Grants Fund ..... 47  
Notes to Required Supplementary Information ..... 48  
Schedule of the District's Proportionate Share of the Net Pension Liability ..... 49  
Schedule of Pension Contributions and Related Ratios ..... 50  
Schedule of the District's Proportionate Share of the Net OPEB Liability ..... 51  
Schedule of OPEB Contributions and Related Ratios ..... 52

**SUPPLEMENTARY INFORMATION**

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

Government Funds

Combining Balance Sheet – Nonmajor Governmental Funds..... 53  
Combining Statement of Revenues, Expenditures, and Changes in Fund  
Balances – Nonmajor Governmental Funds ..... 54  
Budgetary Comparison Schedule – Bond Redemption Fund..... 55  
Budgetary Comparison Schedule – Pupil Activity Fund ..... 56  
Budgetary Comparison Schedule – Transportation Fund ..... 57  
Budgetary Comparison Schedule – Capital Reserve Fund ..... 58  
Budgetary Comparison Schedule – Building Reserve Fund ..... 59  
Budgetary Comparison Schedule – Food Service Fund ..... 60

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2022**

**COMPLIANCE SECTION**

**SINGLE AUDIT**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	61
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance .....	63
Schedule of Expenditures of Federal Awards .....	66
Notes to Schedule of Expenditures of Federal Awards .....	67
Schedule of Findings and Questioned Costs .....	68
Summary Schedule of Prior Audit Findings.....	73
Corrective Action Plan.....	74

**STATE COMPLIANCE SECTION**

Auditors' Integrity Report .....	76
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## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

#### ***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 El Paso County School District #38 – Lewis-Palmer (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the entity'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 El Paso County School District #38 – Lewis-Palmer as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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

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

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

***Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – general fund, budgetary comparison schedule – grants fund, schedule of the District's proportionate share of the net pension liability, schedule of pension contributions and related ratios, schedule of the District's proportionate share of the net OPEB liability, and schedule of OPEB contributions and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 District’s basic financial statements. The combining balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds, budgetary comparison schedule – Bond Redemption Fund, budgetary comparison schedule – Pupil Activity Fund, budgetary comparison schedule – Transportation Fund, budgetary comparison schedule – Capital Reserve Fund, budgetary comparison schedule – Building Reserve Fund, budgetary comparison schedule – Food Service Fund, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the supplementary information) 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
February 28, 2023

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

This section of the El Paso County School District #38 - Lewis-Palmer’s (the District) annual financial statements presents a discussion and analysis of the District’s financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the District’s financial statements, which immediately follow this section, including the notes to the financial statements. Key financial highlights for 2022 are as follows:

- The total liabilities and deferred inflows of resources of the Primary Government exceeded its assets including land, buildings, and equipment and deferred outflows of resources at the close of the fiscal year June 30, 2022 by \$10,823,924 for the primary reporting entity. This represented an increase in net position of \$33,685,251. The District participates in the School Division Trust Fund, a cost-sharing multiple employer defined benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (PERA). A significant portion of the increase in net position was the result of a decrease of \$24,884,155 in the District’s proportionate share of the net pension liability and related deferred outflows of resources and deferred inflows of resources.
- The District has an unrestricted net position of negative \$63,738,975 as of June 30, 2022 as compared to a unrestricted net position of negative \$91,263,383 as of June 30, 2021.
- Total revenues were \$82,781,414. General revenues accounted for \$67,308,424, in revenue or 81% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$15,472,990 or 19% of total revenue.
- The Primary Government’s total net position increased from a negative \$44,509,175 at June 30, 2021 to negative \$10,823,924 at June 30, 2022. This was an increase of \$33,685,251 during the fiscal year or 76%.
- The District incurred \$49,096,163 in expenses related to governmental activities; only \$15,472,990 of these expenses was offset by program specific charges for services, grants and contributions. General revenues, primarily State equalization and property taxes, of \$67,308,424 provided for the remaining funding of activities.
- As of June 30, 2022, the District’s governmental funds reported a combined ending fund balance of \$36,453,459, an increase of \$958,565. The primary cause of the fund balance increase was a \$1,104,672 increase in General Fund fund balance. General Fund fund balance increased primarily due to a revenues increase of \$6,526,039 offset by increase in expenditures of \$2,940,338 and increase in transfers out of \$2,642,590.
- The governmental funds had \$238,695 in fund balances designated as nonspendable related to inventory as of June 30, 2022.
- The governmental funds restricted fund balance totaled \$15,356,958, with \$2,260,470 held in the General Fund for the emergency contingency required by Article X, Section 20 of the Colorado Constitution, \$6,879,737 held in the Debt Service Fund, \$1,203,930 held in the Food Services Fund, and \$5,012,821 held in the Capital Reserve Fund relating to unspent proceeds.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

- \$5,856,358 was held at year end as a committed fund balance consisting of \$160,000 for retirement payments in the General Fund, \$3,117,738 held for maintenance projects in the Capital Reserve Fund; and \$2,578,620 held in the Pupil Activities Fund.
- \$874,374 was held at year end as an assigned fund balance in the Transportation Fund and \$1,790,707 was held at year end as an assigned fund balance in the Building Reserve Fund. \$300,000 was reported at year end as assigned fund balance in the General Fund relating to the amount that budgeted expenditures exceed budgeted revenues for fiscal year 2022-2023.
- The governmental activities total long-term debt decreased by \$5,782,022.
- At the end of the fiscal year, the unassigned fund balance for the General Fund was \$12,036,367 or 19% of the total General Fund operating revenue.
- The General Fund total Nonspendable, Restricted, and Committed fund balance was \$2,626,462. This amount included a restricted balance of \$2,260,470, the emergency contingency required by Article X, Section 20 of the Colorado Constitution, and a committed balance of \$160,000 to retirement payments. The remaining \$205,992 is held in nonspendable inventories.
- Among major funds, the General Fund had \$63,840,148 in revenue, \$57,383,586 in expenditures, and \$5,351,890 in transfers to other funds.

### **Overview of the Financial Statements**

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

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

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

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported on a full accrual basis, in other words, as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District include instruction and support services of the District.

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

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

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

**Fund Financial Statements**

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Notes to the Basic Financial Statements**

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

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

**Required Supplementary Information**

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

**Other Information**

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

**Financial Analysis of the District as a Whole**

The following table provides a summary of the District's net position as of June 30, 2022 and 2021, respectively:

**Table 1 – Condensed Statement of Net Position**

	<u>2022</u>	<u>2021</u>
Current and Other Assets	\$ 41,944,155	\$ 42,310,570
Capital Assets	<u>84,347,695</u>	<u>82,304,338</u>
Total Assets	126,291,850	124,614,908
 Deferred Outflows of Resources	 17,073,680	 26,591,443
Current Liabilities	5,379,092	6,650,028
Long-Term Liabilities	<u>116,403,194</u>	<u>150,025,184</u>
Total Liabilities	121,782,286	156,675,212
 Deferred Inflows of Resources	 <u>32,407,168</u>	 <u>39,040,314</u>
Net Investment in Capital Assets	42,629,057	37,409,150
Restricted	10,285,994	9,345,058
Unrestricted	(63,738,975)	(91,263,383)
Total Net Position	<u>\$ (10,823,924)</u>	<u>\$ (44,509,175)</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

The following table provides a summary of the District's activities for the fiscal years ended June 30, 2022 and 2021, respectively:

**Table 2 – Condensed Statement of Activities**

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$ 4,894,451	\$ 2,479,936
Operating Grants/Contributions	10,505,534	8,600,796
Capital Grants/Contributions	73,005	357,983
General Revenues:		
Property Taxes	27,456,702	24,384,410
Specific Ownership Taxes	2,843,101	2,831,517
State Equalization	36,195,192	34,231,877
Investment Income	44,573	30,448
Other	768,856	407,626
Total Revenues	<u>82,781,414</u>	<u>73,324,593</u>
<b>EXPENSES</b>		
Instruction	27,842,820	28,326,648
Support	19,853,376	18,122,426
Interest on Long-Term Debt	1,399,967	1,803,037
Total Expenses	<u>49,096,163</u>	<u>48,252,111</u>
<b>CHANGE IN NET POSITION</b>	33,685,251	25,072,482
Net Position - Beginning	<u>(44,509,175)</u>	<u>(69,581,657)</u>
<b>NET POSITION - ENDING</b>	<u>\$ (10,823,924)</u>	<u>\$ (44,509,175)</u>

**Government-wide Financial Analysis**

- Revenues increased from 2021 levels, increasing by \$9,456,821 or 12.9%.
- Program revenues increased by \$4,034,275 or 35.3%.
  - The increase relates to increase in charges for services of \$2,414,515 and increase in grant funding of \$1,619,760.
- General Revenues increased by \$5,442,546 or 8.8%.
  - This is primarily the result of increased property tax revenue of \$3,072,292 and increased state equalization funding of \$1,963,315.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

- Expenses increased by \$844,052 or 1.3%
  - Instructional expenses decreased by \$483,828 or 1.7%. A significant factor in this decrease was due to changes in the net pension liability related to the District’s participation in PERA. See Note 8 for additional information.
  - Support expenses increased by \$1,730,950, or 9.6%. A significant factor in this increase was due to changes in the net pension liability related to the District’s participation in PERA. See Note 8 for additional information.
  - Interest on long-term debt expenses decreased by \$403,070 or 22.4%.

**Financial Analysis of the District’s Funds**

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

As of the end of fiscal year 2022, the District’s governmental funds reported a combined ending fund balance of \$36,453,459.

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 \$63,840,148 in fiscal year 2021-2022, an increase of \$6,526,039 or 11.4% over fiscal year 2020-2021.

**Table 3 – General Fund Revenues by Source**

	<u>FY 2021-22</u>	<u>FY 2020-21</u>	<u>Amount of Change</u>	<u>Percentage of Change</u>
<b>REVENUES</b>				
Property Taxes	\$ 20,795,955	\$ 17,885,103	\$ 2,910,852	16.3%
Specific Ownership Taxes	2,843,101	2,831,517	11,584	0.4%
Federal Sources	24,390	-	24,390	100.0%
State of Colorado				
State Equalization	36,195,192	34,231,877	1,963,315	5.7%
Other	2,407,426	1,525,110	882,316	57.9%
Other Sources:				
Investment Income	23,412	23,032	380	1.6%
Other Local Sources	1,550,672	817,470	733,202	89.7%
Total Revenues	<u>\$ 63,840,148</u>	<u>\$ 57,314,109</u>	<u>\$ 6,526,039</u>	<u>11.4%</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Revenues**

State Equalization and property taxes accounted for most of the General Fund's total revenue, making up 57% and 33% respectively of total General Fund revenue. An additional 4% of revenues were contributed from specific ownership taxes, with the remainder being derived from other local sources and investment earnings.

State Equalization – State equalization revenue for pre-kindergarten through 12th grade education is the primary revenue source for the General Fund, providing 57% of total revenue. Payments are received monthly at generally 1/12th of the annual State estimated revenue. State equalization revenues increased by 5.7% in fiscal year 2021-2022 compared to fiscal year 2020-2021. The state budgeted more for education in fiscal year 2022.

Property Taxes – Property tax revenues in the General Fund increased by 16.3% or \$2,910,852 in fiscal year 2021-2022 compared to fiscal year 2020-2021. The 2021-2022 General Fund property tax revenues were based upon a levy of 29.980 mills applied against an assessed valuation of \$696,101,810. The 2020-2021 mill levy was 30.085 mills applied against an assessed valuation of \$595,934,160. 2022 property taxes included 5.746 mills for an override mill levy first passed in 1999, compared to 6.705 mills for the 2021 override mill levy. Including property and specific ownership taxes, local property taxpayers provide 37% of the funding for public education in the District's General Fund based on the total mill levy.

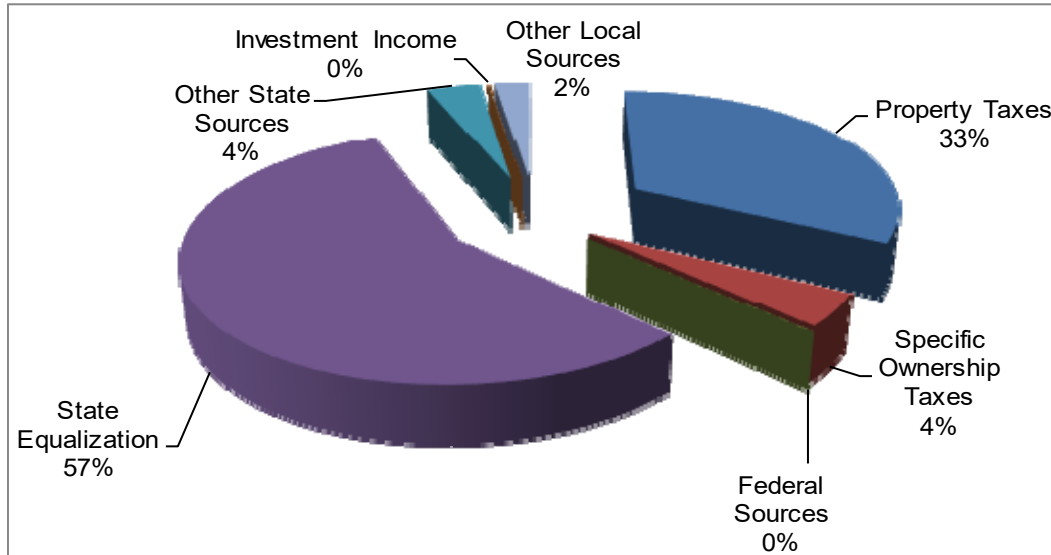
Specific Ownership Taxes – Specific ownership tax is applied to the fair value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their vehicle registrations each year. The 0.4% increase in specific ownership tax collections to \$2,843,101 reflects a net increase in the collective fair value of vehicles registered in fiscal year 2021-2022 as compared to the prior fiscal year.

Other State Sources – Other State sources consist of special education revenue and other miscellaneous State revenues received. These revenues increased by \$882,316 which is primarily the result of on behalf PERA payment which was suspended in July 2020 and did not take place in fiscal year 2021.

Other Sources – Other sources of revenue consist of investment income, activity fees, fees for charter school services provided, and a variety of miscellaneous revenue sources. Other local sources of revenue increased by \$733,582, primarily due to return of many student activities after cancellations due to the COVID-19 pandemic.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Table 4 – General Fund Revenues by Source**



**Expenditures**

Expenditures reported by the General Fund increased by \$5,582,928 or 9.8% to \$62,735,476 for fiscal year 2022, from \$57,152,548 for fiscal year 2021. Much of the increase is attributable to the \$3.1 million increase in instructional costs and \$2.6 million increase in transfers to Capital Reserve.

**Table 5 – General Fund Expenditures Comparison**

EXPENDITURES	FY 2021-22	FY 2020-21	Amount of Change	Percentage of Change
Instruction	\$ 36,746,293	\$ 33,588,807	\$ 3,157,486	9.4%
Supporting Services	20,527,529	20,823,802	(296,273)	(1.4%)
Capital Outlay	109,764	30,639	79,125	258.2%
Allocations:				
Transportation	1,847,340	1,840,963	6,377	0.3%
Capital Reserve	3,474,550	838,337	2,636,213	314.5%
Pupil Activities	30,000	30,000	-	0.0%
<b>Total Expenditures</b>	<b>\$ 62,735,476</b>	<b>\$ 57,152,548</b>	<b>\$ 5,582,928</b>	<b>9.8%</b>

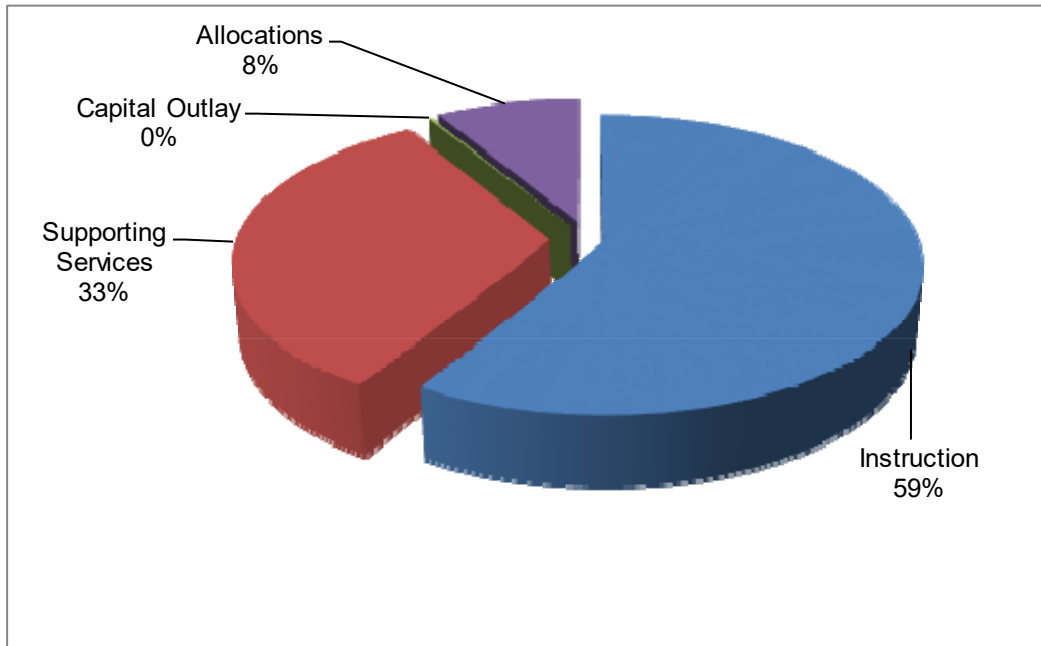
Instruction – Instruction expenditures for fiscal year 2021-2022 are 9.4% higher than fiscal year 2020-2021. The increase is due primarily to the resumption of the on-behalf payment.

Supporting Services – Combined supporting services expenditures for fiscal year 2021-2022 decreased from \$20,823,802 to \$20,527,529, a decrease of \$296,273 or 1.4% from fiscal year 2020-2021.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

Allocations – The increase in transfers out of \$2,642,590 or 97.5% is due to increase in transfers to Capital Reserve Fund.

**Table 6 – General Fund Expenditures by Function**



**Bond Redemption Fund**

The Bond Redemption Fund is used to service the long-term debt not being financed by the Capital Reserve or other funds. The primary revenue source for the Bond Redemption Fund is a voter approved mill levy, which was 9.434 mills for the 2021-2022 year. This generated revenues of \$6,553,119. These funds will be used to satisfy principal and interest requirements on the District’s general obligation debt. The Bond Redemption Fund expenditures primarily reflect principal and interest expenditures on the District’s general obligation debt.

**Grants Fund**

The Grant Fund is used to account for the revenues and expenditures of specific local, state, and federal grant awards. Revenues for the 2021-2022 school year totaled \$4,076,518 compared to \$5,612,001 for the 2020-2021 school year. This decrease in revenues is primarily the result of additional Federal funding relating the Coronavirus Relief Fund (CRF) received in the 2020-2021 fiscal year compared to the Education Stabilization Fund (ESSER) grant funding received in fiscal year 2021-2022. The large majority of revenues and expenditures in the Grants Fund are the result of federal funding directed towards special needs students and students identified as at risk due to poverty.

**Capital Reserve Fund**

Total revenues for the Capital Reserve Fund, including transfers from the General Fund and Building Reserve Fund, amounted to \$4,706,051 while expenditures totaled \$5,111,793. This resulted in a decrease in fund balance of \$405,742. The fund had cash with fiscal agent in the amount of \$5,012,821 to be used for energy efficiency equipment improvements.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Non-major Governmental Funds**

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

**Special Revenue and Capital Project Funds**

A summary of revenues, other financing sources, and expenditures for the non-major Special Revenue and Capital project funds for fiscal year 2021-2022 follows:

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

<b>Nonmajor Special Revenue and Capital Project Funds</b>	<b>Revenue</b>	<b>Other Financing Sources (Uses)</b>	<b>Expenditures</b>	<b>Net Change in Fund Balance</b>
Food Service Fund	\$ 2,260,377	\$ -	\$ 1,672,794	\$ 587,583
Pupil Activity Fund	3,294,758	30,000	2,875,390	449,368
Transportation	868,218	1,847,340	2,492,625	222,933
Building Reserve Fund	47,658	(1,226,169)	-	(1,178,511)
Total Revenue, Other Financing Sources and Expenditures	<u>\$ 6,471,011</u>	<u>\$ 651,171</u>	<u>\$ 7,040,809</u>	<u>\$ 81,373</u>

**Food Service Fund**

The Food Service Fund revenues come from charges to users throughout the District and reimbursement for meal expenses under the Federal Child Nutrition Act. Fiscal year 2021-2022 revenues totaled \$2,260,377. Expenditures totaled \$1,672,793. Fund balance increased by \$587,584. The fund balance increase was primarily related to increased food service grant funding for the summer food service program and the switch back to in school learning after the response to the COVID-19 pandemic.

**Pupil Activity Fund**

The Pupil Activity Fund is used to account for the various student activities of the district. The primary sources of funding are fees and admission fees. The fund balance increased by 449,368 for the year with \$3,324,758 in revenues/other financing sources and \$2,875,390 in expenditures.

**Transportation Fund**

The Transportation Fund is used to account for revenues and expenditures related to transporting students. Revenues for the year totaled \$868,218. Other Financing Sources included transfers from the General Fund of \$1,847,340. Expenditures totaled \$2,492,624. As a result, fund balance increased by \$222,934.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**Building Reserve Fund**

The Building Reserve Fund is a Capital Projects Fund. Revenue for fiscal year 2021-2022 was a total of \$47,658 and other financing sources included a transfer to the Capital Reserve fund of \$1,226,169. Fund balance decreased by \$1,178,511.

**General Fund Budgetary Highlights**

The original and final fiscal year 2021-2022 budget adopted by the Board of Education for the District’s General Fund included total appropriations of \$59,878,805.

**Table 8 – General Fund Budget vs. Actual Revenue**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance to Final</u>
<b>REVENUES</b>			
Property Taxes	\$ 19,697,287	\$ 20,795,955	\$ 1,098,668
Specific Ownership Taxes	2,749,400	2,843,101	93,701
Federal Sources	-	24,390	24,390
State of Colorado:			
State Equalization	36,939,432	36,195,192	(744,240)
Other	1,527,000	2,407,426	880,426
Other Sources:			
Investment Income	37,291	23,412	(13,879)
Other Local Sources	915,513	1,550,672	635,159
Totals	<u>\$ 61,865,923</u>	<u>\$ 63,840,148</u>	<u>\$ 1,974,225</u>

The District’s General Fund actual revenues totaled \$63,840,148, 6.6% greater than budgeted revenues. Property taxes revenues received were greater than the budgeted amount due to a larger than anticipated increase in the assessed valuation of property within the boundaries of the District. Actual State Equalization revenues were less than budgeted due to a decrease in state per pupil revenue. Other State actual revenue includes an on-behalf payment from the State of Colorado to Colorado PERA, which the District records revenue and expenditures for the District’s proportionate share of this benefit and did not take place in fiscal year 2021.

**Table 9 – General Fund Budget vs. Actual Expenditures**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance to Final</u>
<b>EXPENDITURES</b>			
Instruction	\$ 37,380,706	\$ 36,746,293	\$ 634,413
Supporting Services	22,084,118	20,527,529	1,556,589
Capital Outlay	391,121	109,764	281,357
Allocations:			
Transportation	1,847,340	1,847,340	-
Capital Reserve	3,474,550	3,474,550	-
Food Service	580,441	-	580,441
Pupil Activity	30,000	30,000	-
Totals	<u>\$ 65,788,276</u>	<u>\$ 62,735,476</u>	<u>\$ 3,052,800</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

The General Fund final budget to actual variance was \$723,241 or 1.15% under final budgeted expenditures and other financing uses. Actual instruction expenditures were greater than budgeted due to a reallocation of spend from Support Services and Capital Outlay. Actual support services expenditures were consistent overall with budgeted expenditures, with an overall positive variance of \$495,483. Allocations represent transfers to other funds, which were transferred according to the budgeted amount, other than Food Service transfer not being completed during fiscal year 2022.

**Capital Asset and Debt Administration**

**Capital Assets.** The District’s investment in capital assets for its governmental activities as of June 30, 2022 amounted to \$84,347,695 (net of accumulated depreciation of \$71,673,406). This investment in capital assets includes land, buildings, improvements, machinery and equipment. This is an increase of \$2,043,357 from June 30, 2021 total balances. This increase is due to construction in progress project on energy efficiency improvements.

**Table 10 – Capital Asset Summary**

<u>Capital Assets</u>	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Land and Site Improvements	\$ 14,328,934	\$ 9,820,865
Buildings and Improvements	132,613,671	132,151,677
Transportation and Equipment	9,078,496	8,974,527
Less Accumulated Depreciation	(71,673,406)	(68,642,731)
Total	<u>\$ 84,347,695</u>	<u>\$ 82,304,338</u>

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

**Long Term Debt.** At the end of the current fiscal year, the District had total long-term debt outstanding of \$50,731,741 including \$6,375,092 due within the next twelve months.

**Table 11 – Debt Summary**

<b>GOVERNMENTAL ACTIVITIES</b>	<u>2022</u>	<u>2021</u>
General Obligation Bonds	\$ 40,532,491	\$ 45,977,199
Financed Purchases	7,747,444	7,850,205
Service Bonus	90,645	158,305
Accrued Compensated Absences	2,361,161	2,528,054
Totals	<u>\$ 50,731,741</u>	<u>\$ 56,513,763</u>

As of June 30, 2022, the District’s total long-term debt was 7.3% of the assessed valuation of \$696,101,810.

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

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

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

At the time of the preparation of these financial statements, the District was aware of existing circumstances that could significantly affect its financial future:

- Labor shortages persist in operational support areas, including bus drivers, food service workers, childcare providers, custodians, maintenance workers, and substitute teachers – all of which greatly impact both effectiveness of district operations. While unemployment rates are consistently low, they are being effected by the continued, historically low workforce participation rate. Much of that is attributed to the aging of the Baby Boom generation, but low workforce participation amongst younger generations exists as well and is much more problematic.
- The District’s enrollment increased 2% for the 2021-2022 school year when compared to the 2020-2021 school year by approximately 143 students. The District is funded by the State of Colorado based on the number of students enrolled. The State of Colorado increased the District’s per-pupil revenue (PPR) by \$802 per student (to \$8,532) for the 2021-2022 school year as compared to the prior year, which indicated a quick recovery from the pandemic-suppressed funding of \$7,730.24 in 2020-2021 that had been slashed from 2019-2020’s rate of \$8,078.92. Current estimates from CDE project PPR at \$9,073.83 for the 2022-2023 school year, an estimated increase of \$541.75 (6.35%).
- The State of Colorado administers cost-sharing multiple-employer pension and health care trusts for public employees (Colorado PERA). The District is a member as detailed in Notes 8 and 9 of this document. In 2018, the State enacted legislation designed to fully fund the School Division of the trust over the next 30 years. The liabilities related to this plan have historically increased benefit costs for the District. This trend is projected to continue.
- Experts continue to indicate that the State of Colorado has a structural imbalance in its revenue and related funding needs. Increased costs in Medicaid and constitutional school funding requirements are predicted to outstrip revenues materially over the next decade. The Board of Education continues to review the situation and plan toward this as one of many possibilities.
- The District’s Net Assessed Valuation increased 16.7% from \$595,934,160 to \$696,101,810. This increase in assessed valuation is primarily related to a competitive housing market, where homes are selling quickly and above asking price.
- The District continues to rank in the top performing school districts in the State based upon State standardized tests. In 2010, the Colorado Department of Education began accrediting school districts in the top 7 – 12% of the State as “accredited with distinction”. The District earned this ranking from 2010 through 2019. The state’s accountability system was paused for new date for 2019-20 and 2020-21 school years. Results from the 2021-22 school year indicate that Lewis-Palmer has once again been “accredited with distinction” – demonstrating more growth than others during the pandemic.
- The District has long been known as a premier district in the State. Both Lewis-Palmer High School and Palmer Ridge High School were ranked as top high schools in Colorado by the U.S. News and World Report, as well as ranked at the national level.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2022**

**REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Charter School</b>
<b>ASSETS</b>		
Cash and Investments	\$ 33,161,021	\$ 3,438,979
Restricted Cash and Investments	5,012,821	2,740,311
Receivable:		
Accounts Receivable	253,698	95,826
Taxes Receivable	1,142,331	-
Intergovernmental	2,135,589	-
Due from Primary Government	-	597,721
Prepaid Items		-
Inventories	238,695	-
Capital Assets, Not Being Depreciated	14,328,934	2,265,187
Capital Assets, Net of Accumulated Depreciation	70,018,761	29,423,428
Total Assets	126,291,850	38,561,452
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Pension Outflows	15,487,257	2,584,730
Deferred OPEB Outflows	353,897	108,588
Loss on Refunding of Debt	1,232,526	1,508,933
Total Deferred Outflows of Resources	17,073,680	4,202,251
<b>LIABILITIES</b>		
Accounts Payable	559,250	120,763
Due to Component Unit	597,721	-
Accrued Liabilities	2,694,754	735,584
Accrued Interest Payable	298,000	234,615
Unearned Revenue	1,229,367	92,344
Long-Term Liabilities:		
Due within One Year	6,375,092	917,854
Due in More than One Year	44,356,649	40,162,025
Net OPEB Liability	3,030,585	432,676
Net Pension Liability	62,640,868	8,943,222
Total Liabilities	121,782,286	51,639,083
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Pension Inflows	31,232,704	3,606,439
Deferred OPEB Inflows	1,174,464	180,466
Total Deferred Inflows of Resources	32,407,168	3,786,905
<b>NET POSITION</b>		
Net Investment in Capital Assets	42,629,057	(6,008,794)
Restricted for Debt Service	6,788,891	2,379,182
Restricted for Capital Projects	-	6,499
Restricted for Repairs and Maintenance	-	120,015
Restricted for Preschool	-	76,599
Restricted for Food Services	1,236,633	-
Restricted for TABOR	2,260,470	360,892
Unrestricted	(63,738,975)	(9,596,678)
Total Net Position	\$ (10,823,924)	\$ (12,662,285)

See accompanying Notes to Basic Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Activities	Component Unit Charter School
<b>Primary Government</b>						
Government Activities:						
Instruction	\$ 27,842,820	\$ 3,581,765	\$ 8,175,803	\$ 73,005	\$ (16,012,247)	\$ -
Supporting Services	19,853,376	1,312,686	2,329,731	-	(16,210,959)	-
Interest on Long-Term Debt	1,399,967	-	-	-	(1,399,967)	-
Total Government Activities	49,096,163	4,894,451	10,505,534	73,005	(33,623,173)	-
<b>Component Unit</b>						
Charter School	\$ 9,040,000	\$ 557,742	\$ 690,134	\$ 282,694	-	(7,509,430)
<b>GENERAL REVENUES</b>						
					27,456,702	621,928
					2,843,101	-
					36,195,192	9,185,296
					44,573	19,508
					768,856	332,340
					<u>67,308,424</u>	<u>10,159,072</u>
<b>CHANGE IN NET POSITION</b>						
					33,685,251	2,649,642
					(44,509,175)	(15,311,927)
<b>NET POSITION - ENDING</b>					<u>\$ (10,823,924)</u>	<u>\$ (12,662,285)</u>

See accompanying Notes to Basic Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2022**

ASSETS	General	Grants	Bond Redemption	Capital Reserve	Nonmajor Governmental Funds	Total
<b>ASSETS</b>						
Cash and Investments	\$ 19,185,008	\$ -	\$ 6,745,190	\$ 733,356	\$ 6,497,467	\$ 33,161,021
Restricted Cash	-	-	-	5,012,821	-	5,012,821
Accounts Receivable	186,723	-	-	-	66,975	253,698
Taxes Receivable	920,357	-	221,974	-	-	1,142,331
Grants Receivable	-	2,135,589	-	-	-	2,135,589
Due from Other Funds	1,314,751	-	18,097	2,719,008	1,181,911	5,233,767
Inventories	205,992	-	-	-	32,703	238,695
Total Assets	<u>\$ 21,812,831</u>	<u>\$ 2,135,589</u>	<u>\$ 6,985,261</u>	<u>\$ 8,465,185</u>	<u>\$ 7,779,056</u>	<u>\$ 47,177,922</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 216,857	\$ -	\$ -	\$ 334,626	\$ 7,767	\$ 559,250
Accrued Salaries and Benefits	2,405,349	143,434	-	-	145,971	2,694,754
Due to Component Unit	-	597,721	-	-	-	597,721
Due to Other Funds	3,919,016	280,636	-	-	1,034,115	5,233,767
Unearned Revenues	4,700	1,113,798	-	-	110,869	1,229,367
Total Liabilities	<u>6,545,922</u>	<u>2,135,589</u>	<u>-</u>	<u>334,626</u>	<u>1,298,722</u>	<u>10,314,859</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Property Tax Revenues	304,080	-	105,524	-	-	409,604
Total Deferred Inflows of Resources	<u>304,080</u>	<u>-</u>	<u>105,524</u>	<u>-</u>	<u>-</u>	<u>409,604</u>
<b>FUND BALANCES</b>						
Nonspendable Inventories	205,992	-	-	-	32,703	238,695
Restricted for:						
Debt Service	-	-	6,879,737	-	-	6,879,737
Food Services	-	-	-	-	1,203,930	1,203,930
Capital Projects	-	-	-	5,012,821	-	5,012,821
TABOR Reserve	2,260,470	-	-	-	-	2,260,470
Committed to:						
Retirement Payments	160,000	-	-	-	-	160,000
Capital Projects	-	-	-	3,117,738	-	3,117,738
Pupil Activities	-	-	-	-	2,578,620	2,578,620
Assigned to:						
Subsequent Year Budget	300,000	-	-	-	-	300,000
Capital Projects	-	-	-	-	1,790,707	1,790,707
Transportation	-	-	-	-	874,374	874,374
Unassigned	12,036,367	-	-	-	-	12,036,367
Total Fund Balances	<u>14,962,829</u>	<u>-</u>	<u>6,879,737</u>	<u>8,130,559</u>	<u>6,480,334</u>	<u>36,453,459</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 21,812,831</u>	<u>\$ 2,135,589</u>	<u>\$ 6,985,261</u>	<u>\$ 8,465,185</u>	<u>\$ 7,779,056</u>	<u>\$ 47,177,922</u>

See accompanying Notes to Basic Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2022**

Total Governmental Fund Balance	\$ 36,453,459
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	84,347,695
Property taxes and other revenues - Revenues that do not provided current financial resources are unavailable on the governmental fund financial statements but recognized on the government-wide financial statements.	409,604
Long-term liabilities, including bonds payable, certification of participation, compensated absences, other postemployment benefits, and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds Payable	(38,525,000)
Financed Purchases	(7,747,444)
Premium on Bond Issuance	(2,007,491)
Compensated Absences	(2,361,161)
Service Bonus	(90,645)
Accrued Interest Payable	(298,000)
Net Pension Liability	(62,640,868)
Net OPEB Liability	(3,030,585)
Loss on bond refunding not available to pay current expenditures and, therefore, classified as deferred outflow of resources in the funds:	
Loss on Bond Refunding	1,232,526
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Related to Pension	15,487,257
Related to OPEB	353,897
Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Related to Pension	(31,232,704)
Related to OPEB	(1,174,464)
Net Position of Governmental Activities	<u>\$ (10,823,924)</u>

See accompanying Notes to Basic Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022**

	<u>General</u>	<u>Grants</u>	<u>Bond Redemption</u>	<u>Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>						
Local Sources	\$ 25,213,140	\$ 30,361	\$ 6,553,119	\$ 5,332	\$ 4,383,792	\$ 36,185,744
State Sources	38,602,618	239,539	-	-	538,364	39,380,521
Federal Sources	24,390	3,806,618	-	-	1,548,469	5,379,477
Other	-	-	-	-	386	386
Total Revenues	<u>63,840,148</u>	<u>4,076,518</u>	<u>6,553,119</u>	<u>5,332</u>	<u>6,471,011</u>	<u>80,946,128</u>
<b>EXPENDITURES</b>						
Current:						
Instruction	36,746,293	1,249,662	-	-	1,615,077	39,611,032
Supporting Services	20,527,529	2,806,000	-	-	5,371,822	28,705,351
Capital Outlay	109,764	20,856	-	4,989,415	53,910	5,173,945
Debt Service:						
Principal	-	-	4,985,000	102,761	-	5,087,761
Interest and Fiscal Charges	-	-	1,389,857	19,617	-	1,409,474
Total Expenditures	<u>57,383,586</u>	<u>4,076,518</u>	<u>6,374,857</u>	<u>5,111,793</u>	<u>7,040,809</u>	<u>79,987,563</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	6,456,562	-	178,262	(5,106,461)	(569,798)	958,565
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	-	4,700,719	1,877,340	6,578,059
Transfers Out	(5,351,890)	-	-	-	(1,226,169)	(6,578,059)
Total Other Financing Sources (Uses)	<u>(5,351,890)</u>	<u>-</u>	<u>-</u>	<u>4,700,719</u>	<u>651,171</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,104,672	-	178,262	(405,742)	81,373	958,565
Fund Balances - Beginning	<u>13,858,157</u>	<u>-</u>	<u>6,701,475</u>	<u>8,536,301</u>	<u>6,398,961</u>	<u>35,494,894</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 14,962,829</u>	<u>\$ -</u>	<u>\$ 6,879,737</u>	<u>\$ 8,130,559</u>	<u>\$ 6,480,334</u>	<u>\$ 36,453,459</u>

See accompanying Notes to Basic Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

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

Net Change in Fund Balances of Governmental Funds \$ 958,565

Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the Statement of Net Position and are allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation expense exceeded capital outlay in the current year.

Capital Outlay	5,074,032
Depreciation Expense	(3,030,675)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Payment of Principal Includes:	
Debt Payments	4,985,000
Financed Purchase Payments	102,761
Amortization of Deferred Loss on Refunding	(277,479)
Amortization of Bond Premium/Discount	459,708
Accrued Interest	(172,722)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in government funds.

Earned but Unavailable Revenue	118,678
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The (increase) decrease in these activities consist of the following:

Accrued Compensated Absences	166,893
Service Bonus	67,660
OPEB Expense	348,675
Pension Expense	24,884,155

Change in Net Position of Governmental Activities	\$ 33,685,251
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**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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

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

**Reporting Entity**

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

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

**Government-Wide and Fund Financial Statements**

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

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers grant revenues to be available if they are collected within 180 days of the end of the current year. Property taxes and other revenues are considered available if collected within 60 days of year-end.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

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

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

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Additionally, the District reports the following funds:

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

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

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

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

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

**Cash and Investments**

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

**Accounts Receivable**

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

**Interfund Receivables/Payables**

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

**Inventories**

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

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

**Accrued Salaries and Benefits**

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

**Deferred Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. One item that qualifies for reporting in this category is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District refundings have resulted in deferred outflows of resources of \$1,232,526. See Notes 8 and 9 for deferred pension and OPEB outflows of resources.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property Taxes**

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

Tax Year

Beginning of fiscal year for taxes

- January 1

Assessed valuation initially certified by County Assessor

- August 25

Property tax levy by Board of Education for ensuing calendar year

- December 10

Tax levy certified to County Commissioners

- December 15

County Commissioners certify levy to County Treasurer

- January 10

Collection Year

Mailing of tax bills (lien date)

- January 1

First installment due

- February 28

Taxes due in full (unless installments elected by taxpayer)

- April 30

Second installment due

- June 15

As the taxes were not fully collected within the District's period of availability, the District has deferred inflows of resources from property tax collection at June 30, 2022, in the amount of \$409,604. Property taxes are remitted to the District by the El Paso County Treasurer by the tenth of the month following collections by the county, except for the months of March, May, and June in which the District receives an additional remittance from the El Paso County Treasurer for collections through the twentieth of such months.

**Compensated Absences**

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

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Service Bonus**

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

**Long-Term Debt**

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

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures/expenses.

**Leases**

The District determines if an arrangement is a lease at inception. Leases are included in capital assets and lease liabilities in the Statement of Net Position.

Lease assets represent the District's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payment made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonable certain that the District will exercise that option.

The District has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses are incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statement of net position. For individual lease contracts where information about the discount rate implicit in the lease is not included, the District has elected to use the incremental borrowing rate to calculate the present value of expected lease payments.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Pension Liability**

The District's governmental activities report a net pension liability as of June 30, 2022. The School is required to report their proportionate share of PERA's unfunded pension liability. See Note 8 for additional information.

**On-Behalf Payments**

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of Colorado makes direct on-behalf payments for retirement benefits to Colorado PERA. Beginning on July 1, 2018, the State of Colorado is required to make a payment to PERA each year equal to \$225 million. PERA allocates the contribution to the trust funds of the State, School, Denver Public Schools, and Judicial Division Trust Funds of PERA, as proportionate to the annual payroll of each division. This annual payment is required on July 1st of each year thereafter until there are no unfunded actuarial accrued liabilities of any division of PERA that receives the direct distribution. The amount of on-behalf payments made for the District by the State of Colorado has been recorded in the fund financial statements.

**Postemployment Benefits Other Than Pensions (OPEB)**

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

**Deferred Inflows of Resources**

In addition to liabilities, the District's financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. See Note 8 and 9 for the deferred pension and OPEB inflows of resources.

**Net Position/Fund Balances**

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position/Fund Balances (Continued)**

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

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

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Education. Committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of formal action (for example, resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education adopted a fund balance policy and as part of the policy delegated the authority to the Superintendent to assign amounts to be used for specific purposes. The District presents \$300,000 as assigned fund balance relating to budgeted expenditures exceeding budgeted revenues for the subsequent year's budget.

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

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgetary Information**

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

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

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS**

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

Cash on Hand	\$ 8,305
Deposits	9,072,519
Cash with Fiscal Agent	5,012,821
Investments	<u>24,080,197</u>
Total	<u><u>\$ 38,173,842</u></u>

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

Cash Deposits	\$ 9,080,824
Cash with Fiscal Agent	5,012,821
Investments	<u>24,080,197</u>
Total	<u><u>\$ 38,173,842</u></u>

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2022, the District deposits are with eligible public depositories and are considered to be held in the name of the District.

**Investments**

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

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

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

As of June 30, 2022, the District had the following investments:

<u>Investment Type</u>	<u>S&amp;P Rating</u>	<u>Fair Value</u>	<u>Investment</u> <u>Maturity</u> <u>(in Years)</u>
			<u>Less than 1</u>
Colorado Statewide Investment Program			
Local Government Investment Pool	AAAm	\$ 17,335,007	\$ 17,335,007
ColoTrust Plus+ Fund	AAAm	6,745,190	6,745,190
Total		<u>\$ 24,080,197</u>	<u>\$ 24,080,197</u>

At June 30, 2022, the District had \$6,745,190 invested in the Colorado Local Government Liquid Asset Trust (ColoTrust). ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating ColoTrust. ColoTrust is rated AAAM by Standard and Poor's. Investments of ColoTrust are limited to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments. ColoTrust records investments at fair value and the District at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

At June 30, 2022, the District had \$17,335,007 invested in the Colorado Statewide Investment Pool (CSIP). CSIP is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating CSIP. CSIP is rated AAAM by Standard and Poor's. Investments of CSIP are limited to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments. CSIP records investments at fair value and the District at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**Interest Rate Risk**

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Credit Risk**

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

**NOTE 3 INTERFUND BALANCES AND TRANSACTIONS**

Interfund receivables and payables and transfers as of and during the year ended June 30, 2022, consisted of the following:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,314,751	\$ 3,919,016	\$ -	\$ 5,351,890
Bond Redemption Fund	18,097	-	-	-
Food Service Fund	206,162	-	-	-
Grants Fund	-	280,636	-	-
Pupil Activity Fund	-	-	30,000	-
Transportation Fund	975,749	-	1,847,340	-
Building Reserve Fund	-	1,034,115	-	1,226,169
Capital Reserve Fund	2,719,008	-	4,700,719	-
Total	<u>\$ 5,233,767</u>	<u>\$ 5,233,767</u>	<u>\$ 6,578,059</u>	<u>\$ 6,578,059</u>

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

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 is summarized below:

	<u>Balances 6/30/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 6/30/2022</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 9,229,830	\$ -	\$ -	\$ 9,229,830
Construction in Process	509,498	4,508,069	-	5,017,567
Site Improvements	81,537	-	-	81,537
Total Capital Assets Not Being Depreciated	9,820,865	4,508,069	-	14,328,934
Capital Assets Being Depreciated:				
Buildings and Improvements	127,366,818	461,994	-	127,828,812
Site Improvements	4,784,859	-	-	4,784,859
Transportation Equipment	5,528,498	-	-	5,528,498
Other Equipment	3,446,029	103,969	-	3,549,998
Total Capital Assets Being Depreciated	141,126,204	565,963	-	141,692,167
Less Accumulated Depreciation for:				
Buildings and Improvements	(60,012,887)	(2,444,655)	-	(62,457,542)
Site Improvements	(2,111,620)	(199,655)	-	(2,311,275)
Transportation Equipment	(4,133,492)	(245,540)	-	(4,379,032)
Other Equipment	(2,384,732)	(140,825)	-	(2,525,557)
Total Accumulated Depreciation	(68,642,731)	(3,030,675)	-	(71,673,406)
Total Capital Assets, Being Depreciated, Net	72,483,473	(2,464,712)	-	70,018,761
Governmental Activities Capital Assets, Net	<u>\$ 82,304,338</u>	<u>\$ 2,043,357</u>	<u>\$ -</u>	<u>\$ 84,347,695</u>

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

Governmental Activities:	
Instruction	\$ 2,539,869
Support Services	490,806
Total	<u>\$ 3,030,675</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5 LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2022:

	Balance at June 30, 2021	Additions	Payments	Balance at June 30, 2022	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Bonds:					
Series 2012B Refunding Bonds	\$ 120,000	\$ -	\$ 60,000	\$ 60,000	\$ 60,000
Series 2012A Refunding Bonds	17,265,000	-	3,125,000	14,140,000	3,280,000
Series 2020 Refunding Bonds	19,415,000	-	270,000	19,145,000	250,000
Series 2001 Refunding Bonds	6,710,000	-	1,530,000	5,180,000	1,625,000
Bond Premiums	2,467,199	-	459,708	2,007,491	459,708
Total General Obligation Bonds	45,977,199	-	5,444,708	40,532,491	5,674,708
Financed Purchases	7,850,205	-	102,761	7,747,444	270,210
Total Financed Purchases	7,850,205	-	102,761	7,747,444	270,210
Service Bonus	158,305	-	67,660	90,645	39,609
Accrued Compensated Absences	2,528,054	251,706	418,599	2,361,161	390,565
Total	<u>\$ 56,513,763</u>	<u>\$ 251,706</u>	<u>\$ 6,033,728</u>	<u>\$ 50,731,741</u>	<u>\$ 6,375,092</u>

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

**General Obligation Bonds**

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

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

The principal and interest payments to maturity for general obligation bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,215,000	\$ 1,130,360	\$ 6,345,360
2024	5,490,000	860,620	6,350,620
2025	5,765,000	575,699	6,340,699
2026	4,120,000	333,034	4,453,034
2027	4,405,000	214,341	4,619,341
2028-2030	13,530,000	305,431	13,835,431
Total	<u>\$ 38,525,000</u>	<u>\$ 3,419,485</u>	<u>\$ 41,944,485</u>

**Financed Purchases**

On June 24, 2021, the District entered into a financed purchase for \$7,422,212 of energy efficient improvements within the District. Principal payments are due annually on July 1, through 2042. Interest payments accrue at rate of 2.497%.

On April 28, 2020, the District entered into a financed purchase for \$537,593 for school buses. Principal payments are due annually on August 25, through 2024. Interest payments accruing at rate of 2.7%.

The principal and interest payments to maturity for the financed purchased of energy efficient improvements and school buses are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 270,210	\$ 197,717	\$ 467,927
2024	292,775	187,153	479,928
2025	312,305	179,623	491,928
2026	218,013	171,598	389,611
2027	237,457	166,154	403,611
2028-2032	1,492,031	732,022	2,224,053
2033-2037	2,101,427	516,626	2,618,053
2038-2043	2,823,226	218,862	3,042,088
Total	<u>\$ 7,747,444</u>	<u>\$ 2,369,755</u>	<u>\$ 10,117,199</u>

**Service Bonus**

The service bonus payments, to maturity, are as follows.

<u>Year Ended June 30,</u>	<u>Amount</u>
2023	\$ 39,609
2024	25,518
2025	25,518
Total	<u>\$ 90,645</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**Defeased Debt**

In August 2014, the School did an advance payment and deposited funds in an irrevocable trust with an escrow agent to provide for all future debt service payments for \$3,010,000 on the COPs Series 2010A and 2010B. Accordingly, the liability for the defeased debt has been removed from the District's financial statements. The total outstanding balance of the defeased debt at June 30, 2022 was \$2,305,000.

In December 2020, the District issued bonds of \$19,415,000 for the purpose of refunding a portion of the 2012B Series Bonds. The proceeds of these bonds were placed in an irrevocable trust to provide the future debt service payments on the defeased bonds that have a call date of 12/15/2025. The trust account assets and the liabilities for the defeased bonds are not included in the District's basic financial statements. At June 30, 2022, the defeased debt was \$17,770,000.

The District is subject to a legal debt limit of \$140,240,202.

**NOTE 6 RISK MANAGEMENT**

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 JOINTLY GOVERNED ORGANIZATION**

The District, in conjunction with other surrounding districts, created the Pikes Peak Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost. The BOCES Board is comprised of one member from each participating district. During the year ended June 30, 2022, the District contributed \$258,229 to the BOCES. The BOCES financial statements can be obtained at its administrative office located at 4825 Lorna Place, Colorado Springs, Colorado 80915.

**NOTE 8 DEFINED BENEFIT PENSION PLAN**

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

**General Information about the Pension Plan**

*Plan Description*

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

*Benefits Provided as of December 31, 2021*

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

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

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

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

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

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 percent 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 percent 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 10.00 percent 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 percent based on the parameters specified in C.R.S. § 24-51-413.

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

*Contributions Provisions as of June 30, 2022*

Eligible employees of the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.50 percent 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 District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$6,967,913 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 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 direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million, upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

At June 30, 2022, the District reported a liability of \$62,640,868 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 District 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 the District were as follows:

District's Proportionate Share of the Net Pension Liability	\$ 62,640,868
State's Proportionate Share of the Net Pension Liability Associated with the District	7,180,975
Total	\$ 69,821,843

At December 31, 2021, the District proportion was 0.53827 percent, which was a decrease of 0.05857 percent from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized pension expense of (\$21,529,045). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 2,398,144	\$ -
Changes of Assumptions or other Inputs	4,782,163	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	23,551,095
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	4,951,840	7,681,609
Contributions Subsequent to the Measurement Date	3,355,110	-
Total	\$ 15,487,257	\$ 31,232,704

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

\$3,355,110 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:

<u>Year Ended June 30:</u>	
2023	\$ (1,559,729)
2024	(7,999,263)
2025	(6,682,967)
2026	(2,858,598)
Thereafter	-

*Actuarial Assumptions*

The total pension liability 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%
Future Postretirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	1.00% Compounded Annually Annually
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

Postretirement 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 total pension liability 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 #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Actuarial Assumptions (Continued)*

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

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

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

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

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

The 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 #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Actuarial Assumptions (Continued)*

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

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

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

*Discount Rate*

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50 percent 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.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Discount Rate (Continued)*

- 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.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million, 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 position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Sensitivity of the District Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 92,202,235	\$ 62,640,868	\$ 37,973,011

*Pension Plan Fiduciary Net Position*

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

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**General Information about the OPEB Plan**

*Plan Description*

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**General Information about the OPEB Plan (Continued)**

*Benefits Provided*

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

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

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

*PERA Benefit Structure*

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

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.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**General Information about the OPEB Plan (Continued)**

*DPS Benefit Structure*

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

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

*Contributions*

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from District were \$357,508 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 District reported a liability of \$3,030,585 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 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 total OPEB liability to December 31, 2021. The District proportion of the net OPEB liability was based on the District contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the District proportion was 0.35145 percent, which was an increase of 0.00624 percent from its proportion measured as of December 31, 2020.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

For the year ended June 30, 2022, the District recognized OPEB expense of (\$176,532). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 4,618	\$ 718,589
Changes of Assumptions or Other Inputs	62,745	164,392
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	187,594
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	114,391	103,889
Contributions Subsequent to the Measurement Date	172,143	-
Total	\$ 353,897	\$ 1,174,464

\$172,143 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,	Amount
2023	\$ (255,717)
2024	(287,875)
2025	(285,878)
2026	(145,613)
2027	(16,078)
Thereafter	(1,549)

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Actuarial Assumptions*

The total OPEB liability 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	
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% for 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 are assumed for 2021 for the PERA Benefit Structure.

	<b>Initial Costs for Members Without Medicare Part A</b>		
	<b>Monthly Cost</b>	<b>Monthly Premium</b>	<b>Monthly Cost Adjusted to Age 65</b>
Medicare Advantage/Self-Insured Prescription	\$ 633	\$ 230	\$ 591
Kaiser Permanente Medicare Advantage HMO	596	199	562

The 2021 Medicare Part A premium is \$471 per month.

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Actuarial Assumptions (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 used to measure the total OPEB liability are summarized in the table below:

<b>Year</b>	<b>PERACare Medicare Plans</b>	<b>Medicare Part A Premiums</b>
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 were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Actuarial Assumptions (Continued)*

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

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

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

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

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

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

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

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

The 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.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Actuarial Assumptions (Continued)*

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

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.

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

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

<sup>1</sup> The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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

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

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare Trend Rate	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%
Proportionate Share of the Net OPEB Liability	\$ 2,943,555	\$ 3,030,585	\$ 3,131,402

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*Discount Rate*

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 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 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 3,519,707	\$ 3,030,585	\$ 2,612,790

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

*OPEB Plan Fiduciary Net Position*

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

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

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

**TABOR Amendment**

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

The Amendment requires the District to establish a reserve for emergencies, representing 3% of qualifying revenue. At June 30, 2022, the District's reserve of \$2,260,470 was reported as restricted fund balance in the General Fund.

**Litigation**

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 11 COMPONENT UNIT**

The District has one discretely presented component unit.

**Charter Schools**

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

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

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

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

**Significant Accounting Policies**

The charter school’s financial information included with the District’s financial statements represents the government-wide financial statements for the charter school. The government-wide financial statements for the charter school are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Other accounting policies are similar to the District.

**Cash and Investments**

Cash and investments are reflected on the June 30, 2022 Statement of Net Position as the following:

Cash and Investments Per the Government-Wide	
Statement of Net Position	
Cash and Deposit	\$ 3,438,979
Restricted Cash and Investments	<u>2,740,311</u>
Total	<u><u>\$ 6,179,290</u></u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 11 COMPONENT UNIT (CONTINUED)**

**Cash and Investments (Continued)**

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

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

As of June 30, 2022, the charter school had the following investments:

<u>Investment</u>	<u>Maturity Less than One Year</u>	<u>Maturity 1 - 5 Years</u>	<u>Maturity 6-10 Years</u>	<u>Rating</u>	<u>Total</u>	<u>Concentration</u>
CSAFE	\$ 1,178,936	\$ -	\$ -	AAAmmf	\$ 1,178,936	43.0%
Cavanal Hill Money Market	1,561,375	-	-	AAAm	1,561,375	57.0%
Total	<u>\$ 2,740,311</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 2,740,311</u>	<u>100.0%</u>

The School invested \$1,561,375 in money market accounts with Bank of Arizona. A designated custodial bank provides safekeeping and depository services in connection with these money market accounts. Money market investments are exempt from fair value measurement and are measured at amortized cost.

At June 30, 2021, the School had \$1,178,936 invested in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating CSAFE. CSAFE is rated AAAmmf by Fitch Ratings. Investments of CSAFE are limited to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value of \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments. CSAFE records investments at amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 11 COMPONENT UNIT (CONTINUED)**

**Capital Assets**

Changes in capital assets for the year ended June 30, 2022 are summarized as follows:

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Nondepreciable Assets				
Land	\$ 2,265,187	\$ -	\$ -	\$ 2,265,187
Total Nondepreciable Assets	2,265,187	-	-	2,265,187
Depreciable Assets				
Buildings and Improvements	34,025,737	-	-	34,025,737
Equipment	929,379	-	-	929,379
Lease Assets - Land and Improvements	-	54,111	-	54,111
Lease Assets - Equipment	189,444	-	-	189,444
Total Depreciable Assets	35,144,560	54,111	-	35,198,671
Less Accumulated Depreciation				
Buildings and Improvements	(4,685,118)	(863,061)	-	(5,548,179)
Equipment	(77,826)	(77,825)	-	(155,651)
Lease Assets - Land and Improvements	-	(10,302)	-	(10,302)
Lease Assets - Equipment	-	(61,111)	-	(61,111)
Total Accumulated Depreciation	(4,762,944)	(1,012,299)	-	(5,775,243)
Total Capital Assets, Net	<u>\$ 32,646,803</u>	<u>\$ (958,188)</u>	<u>\$ -</u>	<u>\$ 31,688,615</u>

**Long-Term Liabilities and Operating Leases**

The following is a summary of the School's long-term debt transactions for the year ended June 30, 2022:

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2022</u>	<u>Due Within One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Compensated Absences	\$ 33,194	\$ 58,363	\$ 70,981	\$ 20,576	\$ -
Building Loans - Series 2014	12,095,000	-	435,000	11,660,000	450,000
Building Loans Premium	290,939	-	15,727	275,212	15,727
Building Loans - Series 2019	28,950,000	-	-	28,950,000	380,000
Leases Payable - Parking Lot	-	54,111	9,788	44,323	10,834
Leases Payable - Copiers	189,444	-	59,676	129,768	61,293
Total	<u>\$ 41,558,577</u>	<u>\$ 112,474</u>	<u>\$ 591,172</u>	<u>\$ 41,079,879</u>	<u>\$ 917,854</u>

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 11 COMPONENT UNIT (CONTINUED)**

**Long-Term Liabilities and Operating Leases (Continued)**

The following schedule reflects the debt service requirements to maturity of the Series 2014 debt as of June 30, 2022:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 450,000	\$ 469,938	\$ 919,938
2024	470,000	451,538	921,538
2025	490,000	432,338	922,338
2026	505,000	409,912	914,912
2027	530,000	388,674	918,674
2028-2032	2,960,000	1,629,245	4,589,245
2033-2037	3,675,000	898,875	4,573,875
2038-2040	2,580,000	157,600	2,737,600
Total	<u>\$ 11,660,000</u>	<u>\$ 4,838,120</u>	<u>\$ 16,498,120</u>

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 11 COMPONENT UNIT (CONTINUED)**

**Long-Term Liabilities and Operating Leases (Continued)**

The following schedule reflects the debt service requirements to maturity of the Series 2019 debt as of June 30, 2022:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 380,000	\$ 1,451,438	\$ 1,831,438
2024	405,000	1,428,500	1,833,500
2025	425,000	1,408,250	1,833,250
2026	27,740,000	1,387,000	29,127,000
Total	<u>\$ 28,950,000</u>	<u>\$ 5,675,188</u>	<u>\$ 34,625,188</u>

In August 2020, the School entered into a lease agreement for copier equipment with a lease term of four years. The principal and interest requirements to maturity of the lease are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 61,293	\$ 3,015	\$ 64,308
2024	63,129	1,178	64,307
2025	5,346	13	5,359
Total	<u>\$ 129,768</u>	<u>\$ 4,206</u>	<u>\$ 133,974</u>

In July 2021, the School entered into a lease agreement for a parking lot with a lease term of five years. The principal and interest requirements to maturity of the lease are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 10,834	\$ 1,166	\$ 12,000
2024	11,157	843	12,000
2025	11,494	506	12,000
2026	10,838	161	10,999
Total	<u>\$ 44,323</u>	<u>\$ 2,676</u>	<u>\$ 46,999</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 17,818,000	\$ 19,697,287	\$ 20,795,955	\$ 1,098,668
Specific Ownership Taxes	2,749,400	2,749,400	2,843,101	93,701
Tuition from Individuals	157,083	157,083	228,846	71,763
Rental Income	16,030	16,030	5,069	(10,961)
Investment Income	37,291	37,291	23,412	(13,879)
Other	660,427	742,400	1,316,757	574,357
Total Local Sources	<u>21,438,231</u>	<u>23,399,491</u>	<u>25,213,140</u>	<u>1,813,649</u>
State Sources:				
State Equalization	36,939,432	36,939,432	36,195,192	(744,240)
Exceptional Children's Education Act (ECEA)	1,264,142	1,290,000	1,476,250	186,250
Other	237,000	237,000	931,176	694,176
Total State Sources	<u>38,440,574</u>	<u>38,466,432</u>	<u>38,602,618</u>	<u>136,186</u>
Federal Sources:				
Impact Aid	-	-	24,390	24,390
Total Revenues	<u>59,878,805</u>	<u>61,865,923</u>	<u>63,840,148</u>	<u>1,974,225</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	36,232,706	37,380,706	36,746,293	634,413
Supporting Services	20,902,559	22,084,118	20,527,529	1,556,589
Capital Outlay	391,121	391,121	109,764	281,357
Total Expenditures	<u>57,526,386</u>	<u>59,855,945</u>	<u>57,383,586</u>	<u>2,472,359</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,352,419	2,009,978	6,456,562	(498,134)
<b>OTHER FINANCING USES</b>				
Transfers Out	<u>(5,932,331)</u>	<u>(4,532,331)</u>	<u>(5,351,890)</u>	<u>(819,559)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(3,579,912)	(2,522,353)	1,104,672	3,627,025
Fund Balance - Beginning	<u>14,912,300</u>	<u>14,912,300</u>	<u>13,858,157</u>	<u>1,054,143</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 11,332,388</u>	<u>\$ 12,389,947</u>	<u>\$ 14,962,829</u>	<u>\$ 4,681,168</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
BUDGETARY COMPARISON SCHEDULE  
GRANTS FUND  
YEAR ENDED JUNE 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Local Grants	\$ 30,000	\$ 30,000	\$ 30,361	\$ 361
State Grants	519,223	519,223	239,539	(279,684)
Federal Grants	<u>2,821,919</u>	<u>5,021,309</u>	<u>3,806,618</u>	<u>(1,214,691)</u>
Total Revenues	<u>3,371,142</u>	<u>5,570,532</u>	<u>4,076,518</u>	<u>(1,494,014)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	1,740,497	2,185,099	1,249,662	935,437
Supporting Services	1,374,274	2,688,826	2,806,000	(117,174)
Capital Outlay	<u>266,667</u>	<u>706,903</u>	<u>20,856</u>	<u>(245,811)</u>
Total Expenditures	<u>3,381,438</u>	<u>5,580,828</u>	<u>4,076,518</u>	<u>572,452</u>
<b>NET CHANGE IN FUND BALANCE</b>	(10,296)	(10,296)	-	(10,296)
Fund Balance - Beginning	<u>10,296</u>	<u>10,296</u>	<u>-</u>	<u>10,296</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2022**

**NOTE 1 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

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

- By May 31, management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.

Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budget amounts between line items within any fund rests with the Superintendent. Revisions that alter the total expenditures of any fund must be approved by the Board of Education. All annual appropriations lapse at fiscal year-end.

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

Fiscal Year	<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>
Plan Measurement Date Ending December 31,	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's Proportion (Percentage) of the Collective Net Pension Liability	0.5382736%	0.5968462%	0.5462292%	0.5470446%	0.6133838%	0.6067134%	0.6114576%	0.6216268%	0.6177944%
District's Proportionate Share of the Collective Pension Liability	\$ 62,640,868	\$ 90,231,104	\$ 81,605,464	\$ 96,865,477	\$ 198,346,512	\$ 180,642,036	\$ 93,518,123	\$ 84,251,307	\$ 78,799,512
State's Proportionate Share of the Net Pension Liability associated with the District **	7,180,975	-	10,350,615	13,245,009	-	-	-	-	-
<b>Total</b>	<b>\$ 69,821,843</b>	<b>\$ 90,231,104</b>	<b>\$ 91,956,079</b>	<b>\$ 110,110,486</b>	<b>\$ 198,346,512</b>	<b>\$ 180,642,036</b>	<b>\$ 93,518,123</b>	<b>\$ 84,251,307</b>	<b>\$ 78,799,512</b>
Covered Payroll	33,625,447	31,925,305	32,096,829	30,096,052	27,835,885	26,796,166	26,648,010	26,041,696	24,903,866
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	186.3%	282.6%	254.2%	321.9%	712.6%	674.1%	350.9%	323.5%	316.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.9%	67.0%	64.5%	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

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

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

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

	<u>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>	<u>2013</u>
Statutorily Required Contributions	\$ 6,967,913	\$ 6,218,419	\$ 6,274,999	\$ 5,984,430	\$ 5,484,505	\$ 4,907,130	\$ 4,766,577	\$ 4,456,194	\$ 4,081,474	\$ 3,697,563
Contributions in Relation to the Statutorily Required Contribution	<u>6,967,913</u>	<u>6,218,419</u>	<u>6,274,999</u>	<u>5,984,430</u>	<u>5,484,505</u>	<u>4,907,130</u>	<u>4,766,577</u>	<u>4,456,194</u>	<u>4,081,474</u>	<u>3,697,563</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 35,049,829	\$ 31,279,760	\$ 32,378,718	\$ 31,282,952	\$ 29,046,528	\$ 26,696,334	\$ 26,880,806	\$ 26,394,640	\$ 25,531,897	\$ 24,519,616
Contribution as a Percentage of Covered Payroll	19.9%	19.9%	19.4%	19.1%	18.9%	18.4%	17.7%	16.9%	16.0%	15.1%

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

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

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

Fiscal Year	2022	2021	2020	2019	2018	2017
Plan Measurement Date Ending December 31,	2021	2020	2019	2018	2017	2016
District's Proportion (Percentage) of the Collective Net OPEB Liability	0.35145163%	0.34521474%	0.35696529%	0.35557775%	0.34852226%	0.34486309%
District's Proportionate Share of the Collective Net OPEB Liability	\$ 3,030,585	\$ 3,280,317	\$ 4,012,283	\$ 4,837,785	\$ 4,529,395	\$ 4,471,267
Covered Payroll	\$ 33,625,447	\$ 31,925,305	\$ 32,096,829	\$ 30,096,052	\$ 27,835,885	\$ 26,796,166
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	9.01%	10.27%	12.50%	16.07%	16.27%	16.69%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39.40%	32.78%	24.49%	17.03%	17.53%	16.72%

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

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

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

<b>Fiscal Year</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Statutorily Required Contributions	\$ 357,508	\$ 319,054	\$ 330,263	\$ 319,086	\$ 296,275	\$ 272,303	\$ 274,184	\$ 269,225	\$ 260,425	\$ 250,100
Contributions in Relation to the Statutorily Required Contribution	357,508	319,054	330,263	319,086	296,275	272,303	274,184	269,225	260,425	250,100
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 35,049,829	\$ 31,279,760	\$ 32,378,718	\$ 31,282,952	\$ 29,046,528	\$ 26,696,334	\$ 26,880,806	\$ 26,394,640	\$ 25,531,897	\$ 24,519,616
Contribution as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

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

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

**SUPPLEMENTARY INFORMATION**

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022**

	<u>Special Revenue</u>			<u>Building Reserve</u>	<u>Total</u>
	<u>Food Service</u>	<u>Pupil Activity</u>	<u>Transportation</u>		
<b>ASSETS</b>					
Cash and Investments	\$ 1,123,938	\$ 2,548,707	\$ -	\$ 2,824,822	\$ 6,497,467
Accounts Receivable	-	66,826	149	-	66,975
Due from Other Funds	206,162	-	975,749	-	1,181,911
Inventory	32,703	-	-	-	32,703
	<u>32,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,703</u>
Total Assets	<u>\$ 1,362,803</u>	<u>\$ 2,615,533</u>	<u>\$ 975,898</u>	<u>\$ 2,824,822</u>	<u>\$ 7,779,056</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ -	\$ 7,767	\$ -	\$ -	\$ 7,767
Accrued Salaries and Benefits	15,301	29,146	101,524	-	145,971
Unearned Revenues	110,869	-	-	-	110,869
Due to Other Funds	-	-	-	1,034,115	1,034,115
Total Liabilities	<u>126,170</u>	<u>36,913</u>	<u>101,524</u>	<u>1,034,115</u>	<u>1,298,722</u>
Fund Balances:					
Nonspendable Inventories	32,703	-	-	-	32,703
Restricted for:					
Food Services	1,203,930	-	-	-	1,203,930
Committed to:					
Pupil Activities	-	2,578,620	-	-	2,578,620
Assigned to:					
Transportation	-	-	874,374	-	874,374
Capital Projects	-	-	-	1,790,707	1,790,707
Total Fund Balance	<u>1,236,633</u>	<u>2,578,620</u>	<u>874,374</u>	<u>1,790,707</u>	<u>6,480,334</u>
Total Liabilities and Fund Balances	<u>\$ 1,362,803</u>	<u>\$ 2,615,533</u>	<u>\$ 975,898</u>	<u>\$ 2,824,822</u>	<u>\$ 7,779,056</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022**

	<u>Special Revenue</u>			<u>Building Reserve</u>	<u>Total</u>
	<u>Food Service</u>	<u>Pupil Activity</u>	<u>Transportation</u>		
<b>REVENUES</b>					
Local Sources	\$ 703,597	\$ 3,294,758	\$ 337,779	\$ 47,658	\$ 4,383,792
State Sources	7,925	-	530,439	-	538,364
Federal Sources	1,548,469	-	-	-	1,548,469
Other	386	-	-	-	386
Total Revenues	<u>2,260,377</u>	<u>3,294,758</u>	<u>868,218</u>	<u>47,658</u>	<u>6,471,011</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	-	1,615,077	-	-	1,615,077
Supporting Services	1,653,883	1,260,313	2,457,626	-	5,371,822
Capital Outlay	18,911	-	34,999	-	53,910
Total Expenditures	<u>1,672,794</u>	<u>2,875,390</u>	<u>2,492,625</u>	<u>-</u>	<u>7,040,809</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	587,583	419,368	(1,624,407)	47,658	(569,798)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	30,000	1,847,340	-	1,877,340
Transfers Out	-	-	-	(1,226,169)	(1,226,169)
Total Other Financing Sources(Uses)	<u>-</u>	<u>30,000</u>	<u>1,847,340</u>	<u>(1,226,169)</u>	<u>651,171</u>
<b>NET CHANGE IN FUND BALANCES</b>	587,583	449,368	222,933	(1,178,511)	81,373
Fund Balances - Beginning	<u>649,050</u>	<u>2,129,252</u>	<u>651,441</u>	<u>2,969,218</u>	<u>6,398,961</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,236,633</u>	<u>\$ 2,578,620</u>	<u>\$ 874,374</u>	<u>\$ 1,790,707</u>	<u>\$ 6,480,334</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
BUDGETARY COMPARISON SCHEDULE  
BOND REDEMPTION FUND  
YEAR ENDED JUNE 30, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Local Sources:			
Property Taxes	\$ 6,573,750	\$ 6,542,069	\$ (31,681)
Investment Income	-	11,050	11,050
Total Revenues	<u>6,573,750</u>	<u>6,553,119</u>	<u>(20,631)</u>
<b>EXPENDITURES</b>			
Debt Service:			
Principal	4,985,000	4,985,000	-
Interest and Fiscal Charges	1,510,240	1,389,857	120,383
Total Expenditures	<u>6,495,240</u>	<u>6,374,857</u>	<u>120,383</u>
<b>NET CHANGE IN FUND BALANCES</b>	78,510	178,262	99,752
Fund Balance - Beginning	<u>7,402,345</u>	<u>6,701,475</u>	<u>(700,870)</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 7,480,855</u>	<u>\$ 6,879,737</u>	<u>\$ (601,118)</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
BUDGETARY COMPARISON SCHEDULE  
PUPIL ACTIVITY FUND  
YEAR ENDED JUNE 30, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Local Sources:			
Activities and Athletic Fees	\$ 3,020,650	\$ 3,294,758	\$ 274,108
Total Revenues	<u>3,020,650</u>	<u>3,294,758</u>	<u>274,108</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	3,148,500	1,615,077	1,533,423
Supporting Services	-	1,260,313	(1,260,313)
Total Expenditures	<u>3,148,500</u>	<u>2,875,390</u>	<u>273,110</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(127,850)	419,368	547,218
<b>OTHER FINANCING SOURCES</b>			
Transfers In	<u>30,000</u>	<u>30,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(97,850)	449,368	547,218
Fund Balance - Beginning	<u>2,707,549</u>	<u>2,129,252</u>	<u>(578,297)</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 2,609,699</u></u>	<u><u>\$ 2,578,620</u></u>	<u><u>\$ (31,079)</u></u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
BUDGETARY COMPARISON SCHEDULE  
TRANSPORTATION FUND  
YEAR ENDED JUNE 30, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Local Sources:			
Transportation Funding	\$ 190,000	\$ 337,779	\$ 147,779
State Sources:			
Transportation Funding	<u>528,620</u>	<u>530,439</u>	<u>1,819</u>
Total Revenues	<u>718,620</u>	<u>868,218</u>	<u>149,598</u>
<b>EXPENDITURES</b>			
Current:			
Supporting Services	2,565,960	2,457,626	108,334
Capital Outlay	-	34,999	(34,999)
Total Expenditures	<u>2,565,960</u>	<u>2,492,625</u>	<u>73,335</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,847,340)	(1,624,407)	222,933
<b>OTHER FINANCING SOURCES</b>			
Transfers In	<u>1,847,340</u>	<u>1,847,340</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	222,933	222,933
Fund Balance - Beginning	<u>-</u>	<u>651,441</u>	<u>651,441</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ 874,374</u>	<u>\$ 874,374</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
BUDGETARY COMPARISON SCHEDULE  
CAPITAL RESERVE FUND  
YEAR ENDED JUNE 30, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Local Sources:			
Investment Income	\$ 1,000	\$ 5,332	\$ 4,332
Total Revenues	<u>1,000</u>	<u>5,332</u>	<u>4,332</u>
<b>EXPENDITURES</b>			
Current:			
Capital Outlay	12,368,921	4,989,415	7,379,506
Debt Service:			
Principal	-	102,761	(102,761)
Interest and Fiscal Charges	-	19,617	(19,617)
Total Expenditures	<u>12,368,921</u>	<u>5,111,793</u>	<u>7,257,128</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(12,367,921)	(5,106,461)	7,261,460
<b>OTHER FINANCING SOURCES</b>			
Lease Proceeds	7,422,212	-	(7,422,212)
Transfers In	4,700,719	4,700,719	-
Total Other Financing Sources	<u>12,122,931</u>	<u>4,700,719</u>	<u>(7,422,212)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(244,990)	(405,742)	(160,752)
Fund Balance - Beginning	<u>244,990</u>	<u>8,536,301</u>	<u>8,291,311</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ 8,130,559</u>	<u>\$ 8,130,559</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
BUDGETARY COMPARISON SCHEDULE  
BUILDING RESERVE FUND  
YEAR ENDED JUNE 30, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Local Sources:			
Investment Income	\$ 4,952	\$ 6,142	\$ 1,190
Other	200,000	41,516	(158,484)
Total Revenues	<u>204,952</u>	<u>47,658</u>	<u>(157,294)</u>
<b>EXPENDITURES</b>			
Reserves	<u>1,728,022</u>	<u>-</u>	<u>1,728,022</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,523,070)	47,658	1,570,728
<b>OTHER FINANCING USES</b>			
Transfers Out	<u>(1,226,169)</u>	<u>(1,226,169)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,749,239)	(1,178,511)	1,570,728
Fund Balance - Beginning	<u>2,749,239</u>	<u>2,969,218</u>	<u>219,979</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ -</u></u>	<u><u>\$ 1,790,707</u></u>	<u><u>\$ 298,707</u></u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
BUDGETARY COMPARISON SCHEDULE  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Charges for Services	\$ 1,048,727	\$ 703,597	\$ (345,130)
State Grants	8,355	7,925	(430)
Federal Grants	192,027	1,548,469	1,356,442
Other	300	386	86
Total Revenues	<u>1,249,409</u>	<u>2,260,377</u>	<u>1,010,968</u>
<b>EXPENDITURES</b>			
Current:			
Support Services	1,737,850	1,653,883	83,967
Capital Outlay	92,000	18,911	73,089
Total Expenditures	<u>1,829,850</u>	<u>1,672,794</u>	<u>157,056</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(580,441)	587,583	1,168,024
<b>OTHER FINANCING SOURCES</b>			
Transfers In	580,441	-	(580,441)
<b>NET CHANGE IN FUND BALANCE</b>	-	587,583	587,583
Fund Balance - Beginning	-	649,050	649,050
<b>FUND BALANCE - ENDING</b>	<u>\$ -</u>	<u>\$ 1,236,633</u>	<u>\$ 1,236,633</u>

## COMPLIANCE SECTION

**SINGLE AUDIT**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of El Paso County School District #38 - Lewis-Palmer (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 28, 2023.

**Report on Internal Control Over Financial Reporting**

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

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

**District’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Broomfield, Colorado  
February 28, 2023



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

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

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

We have audited El Paso County School District #38 - Lewis-Palmer's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

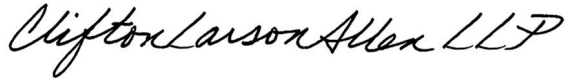
### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Broomfield, Colorado  
February 28, 2023

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>ALN</u>	<u>Expenditures</u>
<b>U.S. Department of Education</b>			
Impact Aid	4041	84.041	\$ 27,904
Passed through the Colorado Department of Education			
Special Education Cluster			
Special Education	4027	84.027	982,044
Special Education Preschool	4173/6173	84.173	37,050
Total Special Education Cluster			<u>1,019,094</u>
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER) II	4419/4420	84.425D	617,764
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER) III	4414/4437/9414	84.425D	1,083,350
Title I	4010	84.010	445,214
Title IV Part A	4424	84.424	33,611
English Language Acquisition	4365/7365	84.365	28,208
Improving Teacher Quality	4367	84.367	118,834
Every Student Succeeds Act (ESSA), Title V, Part B	5282	84.282	138,526
Perkins/DECA Grant	4048	84.048	5,924
IDEA, Part D, State Program Improvement Grant	5323	84.323	2,015
Colorado Comprehensive State Literacy	5371	84.371	89,588
State Library Program	7310	45.310	6,109
Child Care Assistance Block Grant	7585	93.575	77,905
Highway Planning and Construction	7205	20.205	13,723
Total U.S. Department of Education			<u>3,707,769</u>
<b>U.S. Department of Agriculture</b>			
Child Nutrition Cluster			
Passed through the Colorado Department of Human Services			
Donated Commodities	4555	10.555	78,993
Passed through the Colorado Department of Education			
School Breakfast Program	4553/5553	10.553	109,369
Summer Food Service Program	4559	10.559	160,746
National School Lunch Program	4555/5555/6555	10.555	1,193,208
Special Milk Program for Children	4556	10.556	5,539
Total Child Nutrition Cluster			<u>1,547,855</u>
SNAP: P-EBT Grants	4649	10.649	614
Total U.S. Department of Agriculture			<u>1,548,469</u>
Total Federal Financial Assistance			<u>\$ 5,256,238</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

**NOTE 1 BASIS OF ACCOUNTING**

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

**NOTE 2 NONCASH PROGRAMS**

Commodities donated to the District by the U.S. Department of Agriculture (USDA) are valued based on the USDA's Donated Commodity Price List and by values provided by the USDA. The commodities are recognized as revenue and expenses when received and are reported as part of the National School Lunch Program (\$78,993).

**NOTE 3 INDIRECT COST RATE**

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

**NOTE 4 SUBRECIPIENTS**

The District did not have subrecipients of federal awards for the year ended June 30, 2022.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

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

**Federal Awards**

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

**Identification of Major Federal Programs**

<b>Assistance Listing Numbers</b>	<b>Name of Federal Program or Cluster</b>
10.555, 10.559	Child Nutrition Cluster
84.425	COVID-19 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 #38 - LEWIS-PALMER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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***Section II – Financial Statement Findings***

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**2022 – 001 Reconciliation of Grant Revenue and Expenditures and SEFA Reconciliation**

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

**Condition:** Grant revenue and expenditures related to the current fiscal year were not appropriately accrued at year end. In addition, the Schedule of Expenditures of Federal Awards (SEFA) prepared by the District did not include all federal revenue.

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

**Context:** During testing of subsequent receipts of grant revenue receipts were identified that related to reimbursement of expenditures in the current period. The reimbursements were available according the District policy to recognize revenue as described in Note 1 of the financial statements as they were received within 180 days of year end. During testing of grant revenues it was noted the SEFA prepared by the District did not include all federal awards.

**Effect:** As a result of this issue, an adjustment was required to increase grant revenue and grants receivable by \$598,307 and to increase grant expenditures and payable to component unit by \$598,307. The SEFA was required to be increased by \$1,956,952 to include all federal revenue.

**Cause:** The reimbursement requests submitted by the District on behalf of the component unit were not reviewed for appropriate accrual and were not reconciled with the component unit. The SEFA was not reconciled to all federal source revenue.

**Repeat Finding:** This is a repeat finding. Prior year finding number was 2021-003.

**Recommendation:** We recommend that the District improve its process for reviewing component unit reimbursement requests for inclusion in the appropriate period and grant activities are reconciled between the District and component unit. We recommend that the District reconcile the SEFA to all federal funds.

**Views of Responsible Officials and Planned Corrective Actions:** The District agrees with the finding and has adjusted grant revenue and expenditures, and the SEFA, accordingly. The District will improve the process for reviewing and reconciling grant activity with the component unit and improve the process for preparing and reviewing the SEFA.

**Responsible Official:** Brett Ridgway, Chief Business Officer

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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***Section II – Financial Statement Findings (Continued)***

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**2022 – 002 Property Taxes and Specific Ownership Taxes**

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

**Condition:** Tax revenue was not appropriately reconciled and was misclassified in the general ledger.

**Criteria:** Based on the guidance in Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, tax revenue should be appropriate for their class and characteristic.

**Context:** During testing of tax revenue, it was noted that the District overstated tax revenue due to adjusting entries posted to tax revenue accounts that were offset by entries to other local revenue and payroll expenditures.

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

- General Fund – An adjustment to decrease property tax revenue by \$465,785, which was offset by adjustments to decrease expenditures by \$428,420, other local revenue by \$150,743 and decrease interfund payables by \$113,378.
- Bond Redemption Fund – An adjustment to decrease property tax revenues by \$113,738 offset by an increase in interfund receivables from the General Fund.

**Cause:** The District's reconciliation of tax revenues contained errors that led to incorrect adjusting entries being posted to the accounts.

**Repeat Finding:** This is a repeat finding. Prior year finding number was 2021-002.

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

**Views of Responsible Officials and Planned Corrective Actions:** The District agrees with the finding and has adjusted tax revenues accordingly. The District will improve the process for reconciling tax revenues and reviewing adjusting entries.

**Responsible Official:** Brett Ridgway, Chief Business Officer

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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***Section II – Financial Statement Findings (Continued)***

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**2022 – 003 Segregation of Duties and Appropriate Support for Adjusting Journal Entries**

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

**Condition:** Segregation of duties between preparation, review and approval of certain reconciliations and related adjusting journal entries was not present for all elements of the financial reporting process. Also, certain adjusting journal entries did not contain support for all elements of the entry.

**Criteria:** Segregation of duties between preparation, review and approval of adjusting entries, and appropriately documenting support for all elements of adjusting journal entries are necessary to prevent the possibility of misstatement in financial reporting.

**Context:** During various audit procedures it was noted that some of the District's adjusting journal entries were prepared, reviewed and approved by the same staff member. It was also noted that several adjusting entries were posted to correct balances, without appropriately documenting support for the offsetting classification of the transaction.

**Effect:** As a result of these issues the following adjustments were made to correct misstatements:

- Food Service Fund – An adjustment to decrease Accounts Receivable and Revenue by \$198,876
- Grants Fund – An adjustment to decrease Grants Receivable, Revenue, Expenditures and Interfund Payable by \$60,835
- General Fund – An adjustment to reclassify revenue and expenditure transactions totaling \$225,919

**Cause:** Due to turnover at the District, internal controls for segregation of duties between preparation, review, and approval over all processes, and mitigating controls had not been implemented.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend that the District implement segregation of duties between preparing, reviewing and approving reconciliations and journal entries where possible, and implement mitigating controls where possible. The District should support all elements of adjusting journal entries with appropriate documentation.

**Views of Responsible Officials and Planned Corrective Actions:** The District agrees with the finding. The District will implement segregation of duties where possible and mitigating controls where possible. The District will document support for all elements of adjusting journal entries.

**Responsible Official:** Brett Ridgway, Chief Business Officer

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2022**

El Paso County School District #38 – Lewis-Palmer respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2022.

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

**FINDINGS—FINANCIAL STATEMENT AUDIT**

**2021 – 001 Capital Leases**

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

**Status:** Corrected. No unrecorded capital expenditures or lease proceeds were noted.

**2021 – 002 Property Taxes and Specific Ownership Taxes**

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

**Status:** Not implemented. See finding 2022-002.

**2021 – 003 Reconciliation of Grant Related Revenues and Expenditures**

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

**Status:** Not implemented. See finding 2022-001.

**2021 – 004 Accrued Payroll**

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

**Status:** Corrected. Accrued payroll and expenditures were appropriately accrued.

**2021 – 005 Interfund Reimbursements and Interfund Activity**

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

**Status:** Corrected. Interfund receivables and payables agreed between funds.

**2021 – 006 Capital Assets**

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

**Status:** Corrected. Capital additions and depreciation expense were properly calculated by the District.

**FINDINGS— FEDERAL AWARD PROGRAMS AUDITS**

There were no federal award program audit findings in the prior year.



“One Team – Our Team”

# LEWIS-PALMER SCHOOL DISTRICT 38

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

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

## EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2022

El Paso County School District #38 – Lewis-Palmer (District) respectfully submits the following corrective action plan for the year ended June 30, 2022.

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

### FINDINGS - FINANCIAL STATEMENT AUDIT

#### MATERIAL WEAKNESS

#### **2022-001 Reconciliation of Grant Revenue and Expenditures and SEFA Reconciliation**

Recommendation: It was recommended that the District improve its process for reviewing component unit reimbursement requests for inclusion in the appropriate period and reconciled between the District and component unit. It was recommended the District reconcile the SEFA to all federal funds.

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

Action taken in response to finding: Additional review processes will be implemented for grant activity reconciliations and SEFA reconciliations in fiscal year 2023 to ensure that all activity is appropriately included.

Name of the contact person responsible for corrective action: Brett Ridgway, Chief Business Officer

Planned completion date for corrective action plan: Immediately.

**EL PASO COUNTY SCHOOL DISTRICT #38 –  
LEWIS-PALMER CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2022**

**2022-002      Property Taxes and Specific Ownership Taxes**

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

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

Action taken in response to finding: The review processes over the reconciliation and adjusting entries for property taxes and specific ownership will be improved during fiscal year 2023.

Name of the contact person responsible for corrective action: Brett Ridgway, Chief Business Officer

Planned completion date for corrective action plan: Immediately.

**2022-003      Segregation of Duties and Appropriate Support for Adjusting Journal Entries**

Recommendation: It was recommended that the District implement segregation of duties between preparing, reviewing and approving journal entries and reconciliations where possible, and implement mitigating controls where possible. It was recommended that all elements of journal entries should be supported with appropriate documentation.

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

Action taken in response to finding: The District will implement segregation of duties over the preparation, review, and approval of journal entries and reconciliation where possible. The District will improve the process for documenting support for all elements of adjusting journal entries.

Name of the contact person responsible for corrective action: Brett Ridgway, Chief Business Officer

Planned completion date for corrective action plan: Immediately.

**STATE COMPLIANCE SECTION**

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER  
AUDITORS' INTEGRITY REPORT  
YEAR ENDED JUNE 30 2022**



Colorado Department of Education  
Auditors Integrity Report  
District: 1080 - Lewis-Palmer 38  
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	13,777,858	47,225,552	46,677,078	14,326,332
18 Risk Mgmt Sub-Fund of General Fund	110,270	1,362,647	867,673	605,244
19 Colorado Preschool Program Fund	-29,971	114,550	53,327	31,252
Sub-Total	13,858,157	48,702,749	47,598,078	14,962,828
11 Charter School Fund	2,513,993	10,859,226	10,990,441	2,382,778
20,26-29 Special Revenue Fund	1,639,354	1,239,181	1,240,560	1,637,975
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	649,048	2,260,376	1,672,791	1,236,633
22 Govt Designated-Purpose Grants Fund	0	4,076,516	4,076,516	0
23 Pupil Activity Special Revenue Fund	2,228,134	3,651,181	3,177,551	2,701,764
25 Transportation Fund	651,441	2,715,557	2,492,623	874,375
31 Bond Redemption Fund	6,701,476	6,553,119	6,374,858	6,879,737
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	4,873,080	-449,947	1,451,739	2,971,394
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	8,536,301	4,706,050	5,111,792	8,130,559
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>41,650,983</b>	<b>84,314,009</b>	<b>84,186,948</b>	<b>41,778,044</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



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