

Hanover School District No. 28
El Paso County, Colorado

Auditor's Report and Financial Statements

June 30, 2022

Hanover School District No. 28
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Independent Auditor's Report

Board of Directors
Hanover School District No. 28

Opinions

We have audited the financial statements of the governmental activities and each major fund of Hanover School District No. 28 (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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 one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information including the balance sheet, statement of revenues, expenditures and changes in fund balance, budget and actual

information, and the auditor's integrity report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

rfarmer, llc

December 30, 2022

Hanover School District No. 28
Statement of Net Position
June 30, 2022

	Governmental Activities --Total
ASSETS	
Cash and Equivalents	\$ 2,143,794
Receivables	25,714
Due from Other Governmental Agencies	222,822
Inventories	6,244
Other assets	3,729
Capital Assets:	
Capital Assets, not being depreciated	227,585
Capital Assets, being depreciated	6,041,428
Total Capital Assets	6,269,013
DEFERRED OUTFLOWS OF RESOURCES	
Net Deferred Outflows Pension	751,171
Net Deferred Outflows OPEB	14,618
Total Deferred Outflows	765,789
Total Assets	9,437,105
LIABILITIES	
Accounts payable and accrued expenses	460,764
Accrued interest	16,919
Unearned Revenues	34,278
Long-term liabilities	
Due within one year	756,390
Due in more than one year	4,467,384
Total liabilities	5,735,735
DEFERRED INFLOWS OF RESOURCES	
Net Deferred Inflows Pension	1,483,261
Net Deferred Inflows OPEB	61,360
Total Deferred Inflows	1,544,621
NET POSITION	
Net investment in capital assets	4,416,919
Restricted:	
Debt Service	1,179,417
Preschool	112,072
Inventories	6,244
TABOR	135,957
Unrestricted	(3,693,860)
Total net position	\$ 2,156,749

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

**Hanover School District No. 28
Statement of Activities
For the Year Ended June 30, 2022**

<u>Functions/Programs</u>	Program Revenue			<u>Net (Expense) Revenue and Changes in Net Position Primary Government</u>
<u>Primary government</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities -- Total</u>
Governmental Activities				
Instructional:				
Instructional	\$ 680,500	\$ 32,600	\$ 1,038,601	\$ 390,701
Supporting Services	2,845,807	13,441	286,248	(2,546,118)
Interest on Long Term Debt	57,724	-	-	(57,724)
Total Instructional	3,584,031	46,041	1,324,849	(2,213,141)
Total governmental activities	3,584,031	46,041	1,324,849	(2,213,141)
Total primary government	3,584,031	46,041	1,324,849	(2,213,141)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 439,044
Property taxes, levied for debt service				819,013
Specific ownership, general				120,521
State & federal aid not restricted to specific functions:				
State equalization/Per pupil revenue				3,084,254
Unrestricted investment earnings				1,933
Miscellaneous				240,461
Total general revenues, special items, and transfers				4,705,226
Change in net position				2,492,085
Net position - beginning				(335,336)
Net position - ending				\$ 2,156,749

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

Hanover School District No. 28
Balance Sheet
Governmental Funds
June 30, 2022

	<u>General</u>	<u>Title Programs</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 831,040	\$ 25,762	\$ 1,179,417	\$ 107,571	\$ 2,143,790
Taxes receivable, net	25,374	-	-	-	25,374
Other receivables	223,163	-	-	-	223,163
Inventories	-	-	-	6,244	6,244
Prepaid expenses	3,729	-	-	-	3,729
Total assets	<u>1,083,306</u>	<u>25,762</u>	<u>1,179,417</u>	<u>113,815</u>	<u>2,402,300</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	91,425	2,377	-	3,761	97,563
Unearned revenue	-	18,792	-	15,486	34,278
Other accrued expenses	352,056	4,593	-	6,552	363,201
Total liabilities	<u>443,481</u>	<u>25,762</u>	<u>-</u>	<u>25,799</u>	<u>495,042</u>
Fund balances:					
Non-spendable inventory	-	-	-	6,244	6,244
Restricted preschool	112,072	-	-	-	112,072
Non-spendable prepaid expenses	3,729	-	-	-	3,729
Restricted debt service	-	-	1,179,417	-	1,179,417
Assigned	-	-	-	81,772	81,772
Restricted-TABOR	135,957	-	-	-	135,957
Unassigned	388,067	-	-	-	388,067
Total fund balances	<u>639,825</u>	<u>-</u>	<u>1,179,417</u>	<u>88,016</u>	<u>1,907,258</u>
Total liabilities and fund balances	<u>\$ 1,083,306</u>	<u>\$ 25,762</u>	<u>\$ 1,179,417</u>	<u>\$ 113,815</u>	<u>\$ 2,402,300</u>

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

Hanover School District No. 28
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total fund balance, governmental funds	\$	1,907,258
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		6,269,013
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position: Pension Plan Deferred Outflow		765,789
Some liabilities, (such as Notes Payable, Long-term Compensated Absences, Net Pension Liability, Pension Differences-Deferred Outflow and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(6,785,314)
Rounding		3
Net Position of Governmental Activities in the Statement of Net Position	\$	2,156,749

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

Hanover School District No. 28
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	<u>General</u>	<u>Title Programs</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property Taxes	\$ 439,044	\$ -	\$ 819,013	\$ -	\$ 1,258,057
SO Tax	120,521	-	-	-	120,521
Student Activities	-	-	-	(2,899)	(2,899)
Intergovernmental	3,916,160	197,179	-	175,342	4,288,681
Charges for services	-	-	-	13,441	13,441
Investment earnings	654	-	1,278	-	1,932
Miscellaneous	352,985	-	-	7,896	360,881
Total revenues	<u>4,829,364</u>	<u>197,179</u>	<u>820,291</u>	<u>193,780</u>	<u>6,040,614</u>
EXPENDITURES					
Instructional:					
Instructional	2,024,531	197,179	-	69,140	2,290,850
Pupil Support	106,384	-	-	-	106,384
Non capital Outlay	-	-	-	176,111	176,111
General Administrative	652,946	-	-	-	652,946
School Administration	129,160	-	-	-	129,160
Total Instructional	<u>2,913,021</u>	<u>197,179</u>	<u>-</u>	<u>245,251</u>	<u>3,355,451</u>
Support Services:					
Business Services	197,178	-	-	-	197,178
Operations and Maintenance	597,633	-	-	-	597,633
Food Service	-	-	-	228,171	228,171
Pupil Transportation	299,825	-	-	-	299,825
Risk Management	253,881	-	-	-	253,881
Debt Service:					
Principal	-	-	690,000	68,073	758,073
Interest Expense	-	-	54,520	12,451	66,971
Capital Outlay	-	-	-	186,201	186,201
Total Expenditures	<u>4,261,538</u>	<u>197,179</u>	<u>744,520</u>	<u>740,147</u>	<u>5,943,384</u>
Excess (deficiency) of revenues over expenditures	<u>567,826</u>	<u>-</u>	<u>75,771</u>	<u>(546,367)</u>	<u>97,230</u>
OTHER FINANCING SOURCES					
Proceeds from capital leases	-	-	-	267,151	267,151
Transfers in	-	-	-	357,833	357,833
Transfers out	(357,833)	-	-	-	(357,833)
Total other financing sources and uses	<u>(357,833)</u>	<u>-</u>	<u>-</u>	<u>624,984</u>	<u>267,151</u>
SPECIAL ITEM					
Net change in fund balances	209,993	-	75,771	78,617	364,381
Fund balances - beginning	429,832	-	1,103,646	9,399	1,542,877
Fund balances - ending	<u>\$ 639,825</u>	<u>\$ -</u>	<u>\$ 1,179,417</u>	<u>\$ 88,016</u>	<u>\$ 1,907,258</u>

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

Hanover School District No. 28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$	364,381
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$186,201 is less than depreciation of \$394,823 in the current period.</p>		
		(208,622)
<p>Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.</p>		
		490,423
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>		
Net difference between PERA pension and OPEB actual expense contributions		1,836,155
Interest on long term debt		9,748
Change in net position of governmental activities	\$	2,492,085

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

Hanover School District No. 28
El Paso County, Colorado
Notes to the Financial Statements
June 30, 2022

Note 1 **Summary of Significant Accounting Policies**

The Hanover School District No. 28 (the “District”) was formed in 1962 encompassing approximately 256 square miles of southern El Paso County, Colorado. The District operates under an elected Board of Education with five members and provides educational services to approximately 250 students.

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

The accounting policies of the “District” conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the District’s management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (“GASB”) Statement No. 14, “The Financial Reporting Entity” and as subsequently amended.

Based upon the application of these criteria, no additional governmental organizations are includable within the District’s reporting entity, nor is the District included in any other organization.

Basis of Presentation

Government-wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are

those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds would be aggregated and reported as non-major funds. Fiduciary funds would be presented separately if present.

The District reports the following major governmental funds:

General Fund - This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Bond Redemption Fund (Debt Service Fund) - This fund is used to account for the collection of dedicated property taxes and the related repayment of the District's general obligation debt.

Title Programs - This fund is used to account for certain time (Federal Funds) not accounted for in the General Fund.

Measurement Focus and Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the same time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available as allowed by the per pupil operating revenue formula approved by the State legislature or within sixty days after year end. These revenues could include federal, state, and county grants, and some charges for services. Grants are only recognized to the extent allowable expenditures have been incurred. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and

compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balance

Cash and Investments - Cash of some funds are pooled into common pooled accounts in order to maximize investment opportunities. An individual fund's pooled cash and cash investments are available upon demand and are considered to be "cash equivalents." Negative balances incurred in pooled cash at year-end, while technically a liability of that fund, have not been reclassified at year end. Cash is kept in interest bearing accounts which are comprised of checking and money market accounts which are legally authorized. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Investments are recorded at fair value.

Cash and Cash Equivalents - The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables - All receivables are reported at their gross value, where appropriate, and are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at June 30, 2022. Property taxes levied in the current year but not received at year-end are identified as property taxes receivable and are presented net of an allowance for uncollectible taxes.

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

Capital Assets - Capital assets used in governmental activities operations are shown on the government-wide financial statements. These assets are not shown in the governmental funds and are therefore listed as a reconciling item between the two presentations. Property and equipment acquired or constructed for governmental fund operations are recorded as expenditures in the fund, making the expenditure capitalized at cost in the government-wide presentation. No depreciation has been provided on capital assets in the governmental funds.

Property and equipment are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. The District's policy is to capitalize inventory and depreciate all capital purchases of \$5,000 or more with a useful life in excess of one year.

Depreciation has been provided over the estimated useful lives of the asset in the government-wide presentation. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings and Improvements	20 - 50 Years
Transportation Equipment	8 Years
Other Equipment	5 - 20 Years

Staff Sick Leave and Personal Time Off - It is the District's policy to permit employees to accumulate a limited amount of earned but unused sick leave and personal time off. The amount of sick leave and time off is dependent upon whether the employee is full-time or part-time. The amount to be paid to the employee is dependent upon the length of service, whether they are retiring, and other conditions. The full policy can be reviewed at the District administrative offices. As all employees are contracted to work a set number of days during a year, no vacation accrual accumulates. The compensated absence liability is shown as long-term debt as payments are not funded with current resources.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position reports 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. The government has several items that qualify for reporting in this category, all related to outstanding pension and OPEB obligations.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows for property taxes in the Bond Redemption Fund and pension and OPEB related deferrals.

Net Position/Fund Balance - In the government-wide financial statements, net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as "nonspendable" include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Amounts are reported as "restricted" when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education, reported and at their highest level of action are reported as "committed" fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example: legislation, resolution, or ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as "assigned" fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the

authority to assign amounts to be used for specific purposes. Assignments for the District are coordinated between the Board of Education, Superintendent and District's business office.

All remaining governmental balances or deficits in the other governmental funds are presented as unassigned.

Net Position/Fund Balance Flow Assumptions

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

Revenues and Expenditures/Expenses

Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Property Tax Revenues -Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor on October 1. Assessed values are an approximation of market value. The billings are considered due on these dates. The bill becomes delinquent, and penalties and interest may be assessed by the County Treasurer on the post mark day following these dates. The tax sale date is the first Thursday of November.

Under Colorado Law, all property taxes become due and payable on January 1, in the year following that in which they are levied. Due to the funding formula utilized by the Colorado Department of Education, property taxes are recognized as revenue when payable to the County Treasurer. Uncollected property taxes levied in 2021 for collection in 2022 are identified as property taxes receivable at June 30. Property taxes receivable in the Bond Redemption Fund that do not meet recognition criteria are recorded as a deferred inflow.

Budgets and Budgetary Accounting

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

1. Budgets are required by state law for all funds. Prior to April 1, the District submits to the Board 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 are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution of the Board.
4. Expenditures may not legally exceed appropriations at the fund level. The District is authorized to transfer budgeted amounts between departments within any fund. However, the Board must approve any revisions that alter the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the various funds
6. Budgets for the various funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2 Cash and Investments

The District’s cash and investment balances are allocated as follows:

Cash and Equivalents	\$ 1,636,325
Investments	507,465
Total Cash and Investments	<u>\$ 2,143,790</u>

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The District’s deposit policy is in accordance with Colorado Revised Statutes (C.R.S.) 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The institution’s internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required, by statute, to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At June 30, 2022, all of the District’s deposits were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial risk.

Investments

The District’s investments are allocated as follows:

	<u>Total</u>
Local Government Investment Pools – COLOTRUST	<u>\$ 507,465</u>

Credit Risk

Colorado statutes specify which instruments units of local government may invest, which include:

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

The District’s investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

During the year ended June 30, 2022, the District invested funds in COLOTRUST. As an investment pool, it operates under the C.R.S. (24-75-701) and is overseen by the Colorado Securities Commissioner. It invests in securities that are specified by C.R.S. (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA).

General Description

If an external investment pool meets the criteria in GASB 79 Paragraph 4 and measures all of its investments at amortized cost, the pool’s participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in Paragraph 4, the pool’s participants should measure their investments in the pool at fair value as provided in Paragraph 11 of GASB Statement 31, as amended.

COLOTRUST follows Financial Accounting Standards Board (FASB) Accounting Standards Topic (ASC) 820 *Fair Value Measurement and Disclosure* for financial reporting purposes. ASC 820 defines fair value, establishes a single framework for measuring fair value, and requires disclosures about fair value measurement. COLOTRUST does not meet all of the specific criteria outlined in GASB 79 Paragraph 4 therefore COLOTRUST Participants should measure their investments in COLOTRUST at fair value as provided in Paragraph 11 of GASB Statement 31, as amended.

COLOTRUST reports the amortized cost of investments, which approximates fair value, to its Participants.

Public Trust interprets GASB 31, as amended by GASB 79, to mean that COLOTRUST should measure all of the investments in COLOTRUST at fair value. Therefore, your Participant balance should be considered the fair value of your investment in COLOTRUST. This information provided may be required for the financial reporting of Participants in COLOTRUST. Participants should consult their auditing and accounting professionals regarding their specific reporting requirements.

GASB 72 Note Disclosure Requirement for COLOTRUST

COLOTRUST measures its investments at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore a Participant's investment in COLOTRUST is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72.

Credit Quality Disclosure

COLOTRUST PLUS+ and COLOTRUST PRIME are rated by S&P Global Ratings. The current rating is 'AAAm.' COLOTRUST Edge is rated by FitchRatings. The current rating is 'AAAf/S1.'

Interest Rate Risk Disclosure

The dollar weighted average days to maturity (WAM) of COLOTRUST PLUS+ at June 30, 2022, is 33 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of COLOTRUST PLUS+ at June 30, 2022, is 78 days. The dollar weighted average days to maturity (WAM) of COLOTRUST PRIME at June 30, 2022, is 32 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of COLOTRUST PRIME at June 30, 2022, is 94 days.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2022, the

District did not have any investments requiring safekeeping. The majority of the District's bond funds are held by UMB, the District's third-party trustee.

Note 3 Capital Assets

Activity for the capital assets of the District is summarized below:

	Balance 07/01/2021	Additions Reclassifications	Deletions Reclassifications	Balance 06/30/2022
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 227,585	\$ -	\$ -	\$ 227,585
Capital Assets being depreciated:				
Building and Improvement	11,989,661	-	-	11,989,661
Equipment	1,151,706	-	-	1,151,706
Food Service Equipment	286,302	-	-	286,302
Transportation Equipment	738,510	186,200	-	924,710
Total	14,166,179	186,200	-	14,352,379
Less Accumulated Depreciation:				
Building and Improvement	(6,076,521)	(303,467)	-	(6,379,988)
Equipment	(903,622)	(37,814)	-	(941,436)
Food Service Equipment	(275,102)	(7,981)	-	(283,083)
Transportation Equipment	(660,884)	(45,561)	-	(706,445)
Total	(7,916,129)	(394,823)	-	(8,310,952)
Net Capital Assets	\$ 6,477,635	\$ (208,623)	\$ -	\$ 6,269,012

The District's depreciation is allocated to its various programs as follows:

Instruction	\$ 349,262
Supporting Services	45,561
Total Depreciation	\$ 394,823

Note 4 Inventories

Food Service Fund inventory as of June 30, 2022, of \$6,244 consisted of purchased and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

Note 5 Accrued Salaries and Benefits

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2022, are \$363,201. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General and Food Service Funds.

Note 6 Long-Term Debt

The following is a summary of the District’s long-term debt activity for the year ended June 30, 2022:

Summary of Long-Term Debt:	Balance 6/30/21	Advances	Payments	Balance 6/30/22	Current Portion
2010 GO Refunding Bonds	\$ 2,125,000	\$ -	\$ (690,000)	\$ 1,435,000	\$ 690,000
Capital Leases	226,181	-	(31,906)	194,275	23,749
Bus Lease Purchase	-	267,151	(44,332)	222,819	42,641
PERA Net Pension Liability	4,762,121	-	(1,603,813)	3,158,308	-
OPEB	173,083	-	(2,160)	170,923	-
Accrued Compensated Absences	42,449	-	-	42,449	-
	<u>\$ 7,328,834</u>	<u>\$ 267,151</u>	<u>\$ (2,372,211)</u>	<u>\$ 5,223,774</u>	<u>\$ 756,390</u>

Payments on the bonds are funded through the Bond Redemption Fund, payments for vehicle and building improvement leases are budgeted and paid through the Capital Reserve Projects Fund. Copier lease payments are made through the General Fund, payments towards pension liabilities and leave are funded in accordance with the underlying payroll expense.

General Obligation Bonds Payable

In October of 2010, the District issued \$7,380,000 in general obligation refunding bonds for the purpose of advance refunding a portion of the District’s outstanding General Obligation Bonds, series 2003 and a portion of the District’s outstanding General Obligations Bonds, series 2004. Principal payments are due annually on December 1, through 2023. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2.0% to 3.0%.

Principal and interest is payable on the outstanding bonds is as follows:

	Principal	Interest	Total
2023	\$ 705,000	\$ 33,839	\$ 738,839
2024	730,000	11,388	741,388
Total	<u>\$ 1,435,000</u>	<u>\$ 45,227</u>	<u>\$ 1,480,227</u>

Capital Leases

In August of 2016, the District entered into a capital lease arrangement for the purchase of energy savings equipment. The lease was for \$60,000 and requires annual payments through August, 2031 of \$5,415 including 4.0% interest. The District has capitalized assets of \$60,300 related to this lease. In case of default, the lessor has the option to exercise any one of the following remedies: (a) obtain possession of the equipment, and (b) exercise any other right, remedy, or privilege which may be available to it under applicable law. In additions, the District shall remain liable for all covenants and indemnities under this lease and for all legal fees and other costs and expenses, including court costs, incurred by the

lessor with respect to the enforcement of any of the remedies listed above or any other remedy available to the lessor.

In January of 2018, the District entered into a capital lease arrangement for the purchase of energy savings equipment. The lease was for \$182,749 and requires annual payments through August, 2032 of \$16,748 including 4.5% interest. The District has capitalized assets of \$182,749 related to this lease. In case of default, the lessor has the option to exercise any one of the following remedies: (a) obtain possession of the equipment, and (b) exercise any other right, remedy, or privilege which may be available to it under applicable law. In additions, the District shall remain liable for all covenants and indemnities under this lease and for all legal fees and other costs and expenses, including court costs, incurred by the lessor with respect to the enforcement of any of the remedies listed above or any other remedy available to the lessor.

The future minimum energy lease payments at June 30, 2022, are as follows:

<u>Fiscal Year</u>	<u>2016 Lease</u>	<u>2018 Lease</u>	<u>Total</u>
2023	\$ 5,415	\$ 16,748	\$ 22,163
2024	5,415	16,748	22,163
2025	5,415	16,748	22,163
2026	5,415	16,748	22,163
2027	5,415	16,748	22,163
2028-2032	27,075	83,739	110,814
2033	-	16,748	16,748
Total future Minimum Payments	54,150	184,227	238,377
Less: Interest	(14,380)	(58,206)	(72,586)
Present Value Obligation	<u>\$ 39,770</u>	<u>\$ 126,021</u>	<u>\$ 165,791</u>

In December of 2017, the District entered into a lease agreement for \$24,995 for the purchase of a van. Annual payments of \$5,052 are due through December 2022, at an interest rate of 4.0%. The District has capitalized assets of \$24,995 related to this lease. In case of default, the lessor has the right to take one or any combination of the following remedies with or without terminating the lease. The District may be required to pay the lessor all contract payments and other amounts payable to the end of the then current Budget Year being immediately due and payable. Under this scenario the District may be required to deliver the equipment to the lessor within fifteen (15) days after the event of default occurs. The lessor may exercise any other right or remedy available at law or in equity. The District is liable for any damages to the equipment and all legal fees and other costs and expenses incurred in the enforcement of the lessor's rights under this contract to remedy.

In November of 2018, the District entered into a lease agreement for \$24,990 for the purchase of a Van. Annual payments of \$5,753 are due through November 2023, at an interest rate of 4.8%. The District has capitalized assets of \$27,680 related to this lease. In case of default, the lessor has the right to take one or any combination of the following remedies with or without terminating the lease. The District may be required to pay the lessor all contract payments and other amounts payable to the end of the then current Budget Year being immediately due and payable. Under this scenario the District may be required to deliver the equipment to the lessor within fifteen (15) days after the event of default occurs.

The lessor may exercise any other right or remedy available at law or in equity. The District is liable for any damages to the equipment and all legal fees and other costs and expenses incurred in the enforcement of the lessor's rights under this contract to remedy. The future minimum van lease payments at June 30, 2022, are as follows:

<u>Fiscal Year</u>	<u>2016 Lease</u>	<u>2018 Lease</u>	<u>Total</u>
2023	\$ 5,051	\$ 5,753	\$ 10,804
2024	-	5,753	5,753
Total future Minimum Payments	5,051	11,506	16,557
Less: Interest	(467)	(1,258)	(1,725)
Present Value Obligation	<u>\$ 4,584</u>	<u>\$ 10,248</u>	<u>\$ 14,832</u>

In October 2018, the District entered into a copier lease arrangement for \$7,834. Monthly payments of \$155 are due through September 2023, at an estimated interest rate of 5.0%. The District has capitalized assets of \$7,834 related to this lease. In case of default, the District may be required to do any combination of the following, immediately pay all amounts then due, plus the present value of the remaining lease payments, interim rent, and residual value of the equipment, as determined by the lessor, discounted at an annual rate of 3.0%. Under this scenario the District may be required to deliver the equipment to the lessor, and the lessor may exercise any other right or remedy available at law or in equity. The District shall remain liable for all legal fees and other costs and expenses incurred by the lessor with respect to the enforcement of any of the remedies listed above or any other remedy available to the lessor.

The future minimum copier lease payments at June 30, 2022, are as follows:

<u>Fiscal Year</u>	<u>2016 Lease</u>	<u>2018 Lease</u>	<u>Total</u>
2023	\$ 1,784	\$ 72	\$ 1,856
2024	461	3	464
Total	<u>\$ 2,245</u>	<u>\$ 75</u>	<u>\$ 2,320</u>

During 2021-22, the District entered into a lease purchase agreement for two school buses at a cost of \$183,900 and a bus barn at a cost of \$83,251 for a total of \$267,151. The agreement calls for six annual payments of \$47,556 each with the first payment paid January 2022. Interest is at 2.206%. The bus barn was not built as of June 30, 2022. As a result, the \$83,251 is held in escrow until such time as the bus barn is completed.

The future minimum school buses/bus barn lease payments at June 30, 2022, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 42,641	\$ 4,915	\$ 47,556
2024	43,581	3,975	47,556
2025	44,542	3,014	47,556
2026	45,525	2,031	47,556
2027	46,530	1,026	47,556
Total	<u>\$ 222,819</u>	<u>\$ 14,961</u>	<u>\$ 237,780</u>

Note 7 Jointly Governed Organization

BOCES

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 per district. The BOCES board is comprised of one member from each participating district. During the fiscal year ended June 30, 2022, the District paid total assessments of \$182,334 to the BOCES. Financial statements for the BOCES can be obtained from the BOCES administrative office.

Note 8 Pension Plan

Summary of Significant Accounting Policies

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

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

General Information About the Pension Plan

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

Benefits provided as of December 31, 2021. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the

member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

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

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

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

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

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

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

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

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. § 24-52-413, the State is required to contribute \$225 million direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Trust Fund. In addition to the \$225 million direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million, upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$375,875 for the year ended June 30, 2022.

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

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

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

At June 30, 2022, the District reported a liability of \$3,158,308 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 proportion of the net pension liability that was associated with the District were as follows:

The District's proportionate share of the net pension liability	\$ 3,158,308
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	362,059
Total	<u>\$ 3,520,367</u>

At December 31, 2021, the District's proportion was .0302506%, which is approximately the same from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$841,541 and revenue of \$43,085 for support from the State as a nonemployer contributing entity. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 134,773	\$ -
Changes of assumptions and other inputs	268,753	-
Net difference between projected and actual earnings on pension plan investments	159,708	1,483,261
Contributions subsequent to the measurement date.	187,937	N/A
Total	<u>\$ 751,171</u>	<u>\$ 1,483,261</u>

\$187,937 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2023	(77,974)
2024	(365,159)
2025	(316,240)
2026	(160,651)
2027	-
Thereafter	-

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

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

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

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

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

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

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

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

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

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

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019. The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analysis 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.

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bend rate, and

therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% increase (8.25%)
Proportionate share of the net pension liability	\$ 4,648,771	\$ 3,158,308	\$ 1,914,572

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

Note 9 Voluntary Investment Program

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

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

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

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

Defined Benefit Other Post Employment Benefit (OPEB) PlanSummary of Significant Accounting Policies

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

General Information About the OPEB Plan

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

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

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

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

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

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$19,285 for the year ended December 31, 2021.

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

At June 30, 2021, the District reported a liability of \$170,923 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. The District proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the District's proportion was .0197529%, which is approximately the same as from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$19,285. 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	\$ 259	\$ 40,387
Changes of assumptions and other inputs	3,526	9,239
Net difference between projected and actual earnings on pension plan investments	1,191	11,734
Contributions subsequent to the measurement date.	9,642	N/A
Total	\$ 14,618	\$ 61,360

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

Year Ended June 30,	
2023	\$ (15,118)
2024	(16,527)
2025	(15,546)
2026	(7,466)
2027	(1,510)
Thereafter	(214)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB liability	\$165,439	\$170,330	\$175,996

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfer of dollars in the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% increase (8.25%)
Proportionate share of the net OPEB liability	\$ 215,010	\$ 170,923	\$ 164,360

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

Note 11

Summary Disclosure of Significant Contingencies, Restrictions, and Commitments

Claims and Judgments - The District participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June

30, 2022, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental and proprietary funds or the overall financial position of the District.

Tabor Amendment - In November 1992, Colorado voters passed the Tabor Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations. The District is subject to the Tabor Amendment. Fiscal year 2001 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded unless the District's electorate votes to retain the revenue. In November of 1997, the voters of the District approved a ballot measure which allows the District to retain, appropriate, and utilize the full revenues received from every source whatever, without limitation, in 1997 and all subsequent years. The Tabor Amendment is subject to many interpretations, but the District feels it is in substantial compliance with the Amendment.

Pursuant to the Amendment the District is required to set aside 3% of "fiscal year spending" as an emergency reserve. The District has reserved \$135,957 of fund balance in the General Fund to meet this requirement.

The District has restricted all of the available carryover in the Bond Redemption for debt service. Amounts received and utilized for the Colorado Preschool Program are restricted by statute. A summary of the District's restricted governmental funds is as follows:

Restricted for Debt Service	\$ 1,179,417
Restricted for TABOR Emergencies	\$ 135,957
Restricted for Colorado Preschool Program	\$ 112,072

Note 12 Risk Management

Property and Liability Coverage

The District belongs to the Colorado School District Self Insurance Pool ("CSDSIP") that was formed in 1981 to give individual school districts more buying power and financial stability. By partnering with districts across the state, members gain better access to essential coverage at a competitive price, and more control over the entire risk management function. The coverage provided by CSDSIP is property, crime, general liability, auto liability and physical damage, and errors and omissions. CSDSIP became self-administered in 1997.

The board of directors is comprised of nine persons who are district school board members, superintendents, or district business officials. Each member's premium contribution is determined by CSDSIP based on factors including, but not limited to, the aggregate CSDSIP claims, the cost of administrative and other operating expenses, the number of participants, operating and reserve fund adequacy, investment income and reinsurance expense and profit sharing. Reporting to the Division of Insurance, as well as an audit and actuarial study is conducted annually. These reports may be obtained by contacting the CSDSIP administrative offices at 6857 South Spruce Street, Centennial, CO 80112. The

District has not materially changed its coverage from previous years. The District has not recorded any liability for unpaid claims at June 30, 2022.

CSDSIP has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members.

The ultimate liability to the District resulting from claims not covered by the pool is not recently determinable. Management is of the opinion that the final outcome of such claims, if any, will not have a material adverse effect on the District's financial statements.

Workers Compensation

The District carries commercial insurance for worker's compensation coverage. Risk of loss transfers to the carrier.

Note 13

Budget Violation

The District's expenditures exceeded appropriations in the pupil activity fund, the general fund, the title fund, the debt servicing fund, and the capital reserve projects fund. The over expenditures may be a violation of state statutes.

Required Supplementary Information

Hanover School District No. 28
Schedule of the District's Proportionate Share of the Net Pension Liability PERA
For the Year Ended June 30, 2022

	for the years ended December 31,								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion (percentage) of the collective net pension liability	0.000302506	0.00031499	0.0003572	0.0003392	0.0003777	0.0004065	0.0004343	0.0004465	0.0004592
District's proportionate share of the collective pension liability	<u>\$ 3,158,308</u>	<u>\$ 4,762,121</u>	<u>\$ 5,336,326</u>	<u>\$ 6,006,038</u>	<u>\$ 12,212,320</u>	<u>\$ 12,103,721</u>	<u>\$ 6,641,568</u>	<u>\$ 6,052,130</u>	<u>\$5,858,691</u>
Payroll	\$ 1,890,719	\$ 1,684,428	\$ 2,097,377	\$ 1,864,704	\$ 1,820,709	\$ 1,732,638	\$ 1,873,716	\$ 1,891,185	\$1,877,385
District's proportionate share of the net pension liability as a percentage of its payroll	167.04%	282.71%	254.43%	322.09%	670.75%	698.57%	354.46%	320.02%	312.07%
Plan fiduciary net pension as a percentage of the total pension liability	74.86%	66.99%	64.52%	57.01%	43.96%	43.13%	59.16%	62.84%	64.07%

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

Hanover School District No. 28
Schedule of the District's Proportionate Share of the Net Liability OPEB
For the Year Ended June 30, 2022

	for the years ended December 31,					
	2021	2020	2019	2018	2017	2016
District's proportion (percentage) of the collective net pension liability	0.000197529	0.0001821	0.0002332	0.0002026	0.0002047	0.0001952
District's proportionate share of the collective OPEB liability	<u>\$ 170,923</u>	<u>\$ 173,083</u>	<u>\$ 347,209</u>	<u>\$ 275,654</u>	<u>\$ 266,008</u>	<u>\$ 253,023</u>
Payroll	\$ 1,890,719	\$ 1,684,428	\$ 2,097,377	\$ 1,864,704	\$ 1,820,709	\$ 1,732,638
District's proportionate share of the net pension liability as a percentage of its payroll	9.04%	10.28%	16.55%	14.78%	14.61%	14.60%
Plan fiduciary net pension as a percentage of the total pension liability	39.40%	32.75%	16.51%	16.72%	17.53%	17.03%

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

Hanover School District No. 28
Schedule of Contributions and Related Ratios PERA
For the Year Ended June 30, 2022

	for the years ended December 31,								
	2020	2019	2018	2017	2016	2015	2014	2013	
Statutory required contributions	\$ 375,875	\$ 330,696	\$ 809,123	\$ 356,718	\$ 343,913	\$ 318,445	\$ 332,358	\$ 319,481	\$ 300,135
Contributions in relation to the statutorily required contribution	<u>375,875</u>	<u>330,696</u>	<u>809,123</u>	<u>356,718</u>	<u>343,913</u>	<u>318,445</u>	<u>332,358</u>	<u>319,481</u>	<u>300,135</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Payroll	\$ 1,684,428	\$ 1,684,428	\$ 2,097,377	\$ 1,864,704	\$ 1,820,709	\$ 1,732,638	\$ 1,873,716	\$ 1,891,185	\$ 1,877,385
Contribution as a percentage of payroll	19.64%	19.64%	19.64%	19.13%	18.89%	18.38%	17.74%	16.89%	15.99%

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

Hanover School District No. 28
Schedule of Contributions and Related Ratios OPEB
For the Year Ended June 30, 2022

	for the years ended December 31,					
	2021	2020	2019	2018	2017	2016
Statutory required contributions	\$ 19,285	\$ 17,181	\$ 42,016	\$ 19,020	\$ 18,571	\$ 17,673
Contributions in relation to the statutorily required contribution	<u>19,285</u>	<u>17,181</u>	<u>42,016</u>	<u>19,020</u>	<u>18,571</u>	<u>17,673</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Payroll	\$ 1,890,719	\$ 1,684,428	\$ 2,097,377	\$ 1,864,704	\$ 1,820,709	\$ 1,732,638
Contribution as a percentage of payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

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

Hanover School District No. 28
Budget and Actual
General
For the year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Property Taxes	\$ 423,086	\$ 423,086	\$ 439,044
SO Taxes	163,634	163,634	120,521
Intergovernmental	4,083,109	3,808,100	3,916,160
Investment earnings	200	200	654
Miscellaneous	65,240	65,240	352,985
Total revenues	<u>4,735,269</u>	<u>4,460,260</u>	<u>4,829,364</u>
EXPENDITURES			
Instructional:			
Instruction	1,692,405	2,046,335	2,024,531
Pupil Support	81,980	68,145	106,384
General Administration	449,846	317,529	652,946
School Administration	240,308	309,556	129,160
Support Services:			
Business Services	148,604	174,854	197,178
Operations and Maintenance	519,156	532,766	597,633
Pupil Transportation	254,981	244,871	299,825
Risk Management	237,639	237,639	253,881
Total Expenditures	<u>3,624,919</u>	<u>3,931,695</u>	<u>4,261,538</u>
Excess (deficiency) of revenues over expenditures	<u>1,110,350</u>	<u>528,565</u>	<u>567,826</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(461,811)	(492,811)	(357,833)
Total other financing sources and uses	<u>(461,811)</u>	<u>(492,811)</u>	<u>(357,833)</u>
Net change in fund balances	648,539	35,754	209,993
Fund balances - beginning	418,050	418,050	429,832
Fund balances - ending	<u>\$ 1,066,589</u>	<u>\$ 453,804</u>	<u>\$ 639,825</u>

Other Supplementary Information

Hanover School District No. 28
Balance Sheet
Other Governmental Funds
June 30, 2022

	Food Service Fund	Pupil Activity Fund	Capital Reserve Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 15,772	\$ 10,848	\$ 80,951	\$ 107,571
Inventories	6,244	-	-	6,244
Total assets	22,016	10,848	80,951	113,815
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	3,234	527	-	3,761
Deferred revenue	15,486	-	-	15,486
Other accrued expenses	6,118	434	-	6,552
Total liabilities	24,838	961	-	25,799
 Fund balances:				
Non-spendable-inventories	6,244	-	-	6,244
Assigned	(9,066)	9,887	80,951	81,772
Total fund balances	(2,822)	9,887	80,951	88,016
Total liabilities and fund balances	\$ 22,016	\$ 10,848	\$ 80,951	\$ 113,815

Hanover School District No. 28
Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2022

	<u>Food Service Fund</u>	<u>Pupil Activity Fund</u>	<u>Capital Reserve Projects Fund</u>	<u>Total Special Revenue Funds</u>
REVENUES				
Student Activities	\$ -	\$ (2,899)	\$ -	(2,899)
Intergovernmental	175,342	-	-	175,342
Charges for services	13,441	-	-	13,441
Miscellaneous	7,896	-	-	7,896
Total revenues	<u>196,679</u>	<u>(2,899)</u>	<u>-</u>	<u>193,780</u>
EXPENDITURES				
Instructional:				
Pupil Activities	-	69,140	-	69,140
Non capital outlay	-	-	176,111	176,111
Support Services:				
Food Services	228,171	-	-	228,171
Debt Service:				
Principal	-	-	68,073	68,073
Interest and other charges	-	-	12,451	12,451
Capital outlay	-	-	186,201	186,201
Total Expenditures	<u>228,171</u>	<u>69,140</u>	<u>442,836</u>	<u>740,147</u>
Excess (deficiency) of revenues over expenditures	<u>(31,492)</u>	<u>(72,039)</u>	<u>(442,836)</u>	<u>(546,367)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	267,151	267,151
Transfers in	25,792	75,405	256,636	357,833
Total other financing sources and uses	<u>25,792</u>	<u>75,405</u>	<u>523,787</u>	<u>624,984</u>
Net change in fund balances	(5,700)	3,366	80,951	78,617
Fund balances - beginning	2,878	6,521	-	9,399
Fund balances - ending	<u>\$ (2,822)</u>	<u>\$ 9,887</u>	<u>\$ 80,951</u>	<u>\$ 88,016</u>

Hanover School District No. 28
Budget and Actual
Food Service
For the year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 98,000	\$ 125,000	\$ 175,342
Charges for services	27,000	27,000	13,441
Miscellaneous	5,000	5,000	7,896
Total revenues	<u>130,000</u>	<u>157,000</u>	<u>196,679</u>
EXPENDITURES			
Support Services:			
Food Services	217,861	237,861	228,171
Total Expenditures	<u>217,861</u>	<u>237,861</u>	<u>228,171</u>
Excess (deficiency) of revenues over expenditures	<u>(87,861)</u>	<u>(80,861)</u>	<u>(31,492)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	20,000	20,000	25,792
Total other financing sources and uses	<u>20,000</u>	<u>20,000</u>	<u>25,792</u>
SPECIAL ITEM			
Net change in fund balances	(67,861)	(60,861)	(5,700)
Fund balances - beginning	38,000	38,000	2,878
Fund balances - ending	<u>\$ (29,861)</u>	<u>\$ (22,861)</u>	<u>\$ (2,822)</u>

Hanover School District No. 28
Budget and Actual
Pupil Activity Fund
For the year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Student activities	\$ 5,000	\$ 5,000	\$ (2,899)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>(2,899)</u>
EXPENDITURES			
Noninstructional Services:			
Student activities	<u>66,365</u>	<u>66,365</u>	<u>69,140</u>
Total Expenditures	<u>66,365</u>	<u>66,365</u>	<u>69,140</u>
Excess (deficiency) of revenues over expenditures	<u>(61,365)</u>	<u>(61,365)</u>	<u>(72,039)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>61,365</u>	<u>61,365</u>	<u>75,405</u>
Total other financing sources and uses	<u>61,365</u>	<u>61,365</u>	<u>75,405</u>
SPECIAL ITEM			
Net change in fund balances	-	-	3,366
Fund balances - beginning	<u>15,131</u>	<u>15,131</u>	<u>6,521</u>
Fund balances - ending	<u>\$ 15,131</u>	<u>\$ 15,131</u>	<u>\$ 9,887</u>

Hanover School District No. 28
Budget and Actual
Title Programs
For the year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 184,100	\$ 184,100	\$ 197,179
Total revenues	<u>184,100</u>	<u>184,100</u>	<u>197,179</u>
EXPENDITURES			
Instructional:			
Instruction	184,100	184,100	197,179
Total Expenditures	<u>184,100</u>	<u>184,100</u>	<u>197,179</u>
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Hanover School District No. 28
Budget and Actual
Debt Service
For the year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Property Taxes	\$ 654,987	\$ 753,275	\$ 819,013
Investment earnings	-	-	1,278
Total revenues	<u>654,987</u>	<u>753,275</u>	<u>820,291</u>
EXPENDITURES			
Debt Service:			
Principal	670,000	690,000	690,000
Interest and other charges	72,069	53,788	54,520
Total Expenditures	<u>742,069</u>	<u>743,788</u>	<u>744,520</u>
Excess (deficiency) of revenues over expenditures	<u>(87,082)</u>	<u>9,487</u>	<u>75,771</u>
SPECIAL ITEM			
Net change in fund balances	(87,082)	9,487	75,771
Fund balances - beginning	964,512	1,047,093	1,103,646
Fund balances - ending	<u>\$ 877,430</u>	<u>\$ 1,056,580</u>	<u>\$ 1,179,417</u>

Hanover School District No. 28
Budget and Actual
Capital Reserve Projects Fund
For the year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Total revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Instructional :			
Non capital Outlay	-	-	176,111
Debt Service:			
Principal	-	-	68,073
Interest and other charges	-	-	12,451
Capital Outlay	279,160	310,160	186,201
Total Expenditures	<u>279,160</u>	<u>310,160</u>	<u>442,836</u>
Excess (deficiency) of revenues over expenditures	<u>(279,160)</u>	<u>(310,160)</u>	<u>(442,836)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	-	267,151
Transfers in	279,160	310,160	256,636
Total other financing sources and uses	<u>279,160</u>	<u>310,160</u>	<u>523,787</u>
SPECIAL ITEM			
Net change in fund balances	-	-	80,951
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,951</u>



Colorado Department of Education
Auditors Integrity Report
 District: 1070 - Hanover 28
 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	366,506	4,323,048	4,161,797	527,756
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	63,326	143,013	94,268	112,072
Sub- Total	429,832	4,466,061	4,256,065	639,828
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	2,878	222,471	228,171	-2,822
22 Govt Designated-Purpose Grants Fund	1	197,179	197,179	1
23 Pupil Activity Special Revenue Fund	6,521	108,005	104,639	9,887
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,103,646	820,291	744,520	1,179,417
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	523,786	442,835	80,951
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	1,542,879	6,337,792	5,973,409	1,907,262
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

FINAL