

HUERFANO SCHOOL DISTRICT RE-1
WALSENBURG, COLORADO
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
AND CERTAIN SUPPLEMENTAL INFORMATION
PRESENTED FOR PURPOSES OF A SINGLE AUDIT
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

February 27, 2023

Board of Education
Huerfano School District RE-1
Walsenburg, Colorado 81089

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huerfano School District RE-1 (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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huerfano School District RE-1, 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.

We did not audit the financial statements of Gardner Valley School, a discretely presented component unit, which represents 100% of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gardner Valley School is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Responsibility of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 judgement, 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 GASB required pension and OPEB information on pages i through xiii, and 38 through 43 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 and other auditors 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 Huerfano School District RE-1's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, other schedules, and state required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2023, on our consideration of Huerfano School District RE-1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Huerfano School District RE-1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Huerfano School District RE-1's internal control over financial reporting and compliance.

Harren, Ross & DeNardo, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FY 2021-22**

This section of the Huerfano School District RE-1's annual financial report offers readers of the District's financial statements its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

Financial Highlights

- Revenues totaled \$12,230,748 for 2021-22 compared to \$8,069,186 the prior year. General revenues, primarily property taxes and state equalization payments, account for approximately \$6.222 million or 50 percent of all revenues. Program specific revenues for services, grants, and contributions totaled \$5,933,045 compared to \$2,954,392 the prior year.
- The District had \$7,102,749 in expenses related to governmental activities compared to \$5,574,496 the prior year. Program specific charges for services, grants and contributions totaling \$5,933,045 were offset against the expenses leaving \$1,169,704 to be funded by other general revenues related to governmental activities.
- The District's General Fund, which includes Fund 10/General Fund, and Fund 19/CPP, started the fiscal year with a fund balance of \$2,381,506. After revenues of \$6,219,550 and program expenditures and transfers totaling \$6,204,935, the ending fund balance at June 30, 2022 was \$2,396,121.
- The Capital Projects Fund had a beginning fund balance of \$566,094. Total revenues of \$786 were comprised of interest earned on investments. Other sources included a transfer from the general fund totaling \$175,000. Expenditures totaled \$57,236 for capital outlay, leaving an ending fund balance of \$684,644.
- The Bond Redemption Fund had a beginning fund balance of \$774,269. Revenues, primarily from property taxes, totaled \$1,367,310 of which \$618,984 was used to pay principal, interest, and fiscal charges related to the Series 2002 and 2022 Bonds. The ending fund balance in the Bond Redemption Fund increased to \$774,269.
- The Building Fund was created in 2022 with a new bond issue and had \$1,423,475 in revenues and \$17,651,591 in bond proceeds and premiums. The expenditures totaled \$2,143,508 for an ending fund balance of \$16,931,558.
- Government Designated Purpose Grants accounted for \$2,747,624 of the revenue and \$2,749,470 expenditures related to governmental activities with a fund balance deficit of \$1,846.

- Non-major governmental funds include student activities with a beginning fund balance of \$145,939 and food services with a beginning fund balance of \$48,075. Revenues totaled \$657,917 including transfers from the general fund totaling \$189,250. After expenditures of \$608,875, the ending fund balances totaled \$143,889 for student activities and \$99,167 for food services.

Overview of the Financial Statements

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Huerfano School District RE-1 as a financial whole, or as an entire operating activity. Information for Gardner Valley School has been presented separately as required by the State of Colorado. District and Charter School financials have been combined in this discussion and analysis. The basic financial statements consist of three parts – management’s discussion and analysis (this section), the basic financial statements and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the District. The basic financial statements are government-wide financial statements that provide both long-term and short-term information about the District’s overall financial status.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements. Detailed in the following diagram are how the various parts of this annual report are arranged and related to one another.

Government-wide Statements

The government-wide statements are designed to provide readers a broad overview of the finances of Huerfano School District RE-1, in a manner similar to private-sector business.

The Statement of Net Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The Statement of Net Position presents information on all of the District’s assets and liabilities, with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Huerfano School District RE-1 is improving or deteriorating. To assess the District’s overall health, you need to consider additional non-financial factors such as the condition of school buildings and other facilities.

The Statement of Activities presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Included in governmental activities are most of the District’s basic services such as regular and special education, transportation, maintenance and operations, food services and administration.

The basic district-wide financial statements can be found starting on page 4 of the audited financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Certain funds are required by law while other funds control and manage money for particular purposes (such as federal grants or student activity).

The District's services are included in governmental funds, which focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

Huerfano School District RE-1 maintains seven governmental funds: General Fund including a sub-fund for the Colorado Preschool Program, Food Service, Government Designated Grants, Student Activity, Bond Redemption, Building, and Capital Projects. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. Supplementary information includes budget-to-actual information for all government funds as required by State law. The basic governmental fund financial statements can be found starting on page 6 of the audited financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found starting on page 10.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other supplementary information starting on page 38. This includes budget-to-actual information for all funds as dictated by State law.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

All financial activities of the District are reported on the accrual basis of accounting. This section explains the differences between the current and prior year's assets, liabilities, and changes in the net position. The table below provides a comparison of the District's net position as of June 30, 2022 to June 30, 2021.

Huerfano School District RE-1 Condensed Statement of Net Position

	6/30/2022 Governmental Activities	6/30/2021 Governmental Activities	Net Change
ASSETS			
Current & Other Assets	\$ 23,361,828	\$ 4,805,976	\$ 18,555,852
Capital Assets	\$ 12,062,523	\$ 10,343,134	\$ 1,719,389
Total Assets	\$ 35,424,351	\$ 15,149,110	\$ 20,275,241
DEFERRED OUTFLOWS OF RESOURCES			
Bond Refunding	\$ 2,425	\$ 9,699	\$ (7,274)
Pension Cost - Investment Change	\$ 2,884,984	\$ 3,467,006	\$ (582,022)
Other Post Employment Benefits	\$ 54,853	\$ 59,334	\$ (4,481)
Total Deferred Outflows of Resources	\$ 2,942,262	\$ 3,536,039	\$ (593,777)
Current Liabilities	\$ 1,375,483	\$ 1,175,073	\$ 200,410
Non-Current Liabilities	\$ 26,650,442	\$ 11,147,412	\$ 15,503,030
Total Liabilities	\$ 28,025,925	\$ 12,322,485	\$ 15,703,440
DEFERRED INFLOWS OF RESOURCES			
Related ot Leases	\$ 21,447	\$ -	\$ 21,447
Deferred Pension Earnings	\$ 3,807,557	\$ 5,006,291	\$ (1,198,734)
Other Post Employment Benefits	\$ 85,940	\$ 148,753	\$ (62,813)
Total Deferred Inflows of Resources	\$ 3,914,944	\$ 5,155,044	\$ (1,240,100)
Net Position			
Net Investment in Capital Assets	\$ 12,363,793	\$ 9,563,134	\$ 2,800,659
Restricted For:			
TABOR	\$ 194,900	\$ 165,400	\$ 29,500
Preschool	\$ 126,198	\$ 11,391	\$ 114,807
Debt	\$ 1,522,595	\$ 774,269	\$ 748,326
Food Service	\$ -	\$ 37,864	\$ (37,864)
Unrestricted	\$ (7,781,742)	\$ (9,344,438)	\$ 1,562,696
Total Net Position	\$ 6,425,744	\$ 1,207,620	\$ 5,218,124

The Statement of Net Position reports all financial and capital resources. The statement presents assets and liabilities in order of relative liquidity. Liabilities reported as current include accounts payable, accrued salaries and benefits and amounts due on general obligation bonds within one year. The difference between the District's assets and liabilities is its net position.

Current Assets increased by \$18,555,852 due to the issuance of Bonds for Capital Construction. Capital Assets increased by \$1,719,389 due to the net effect of capital asset additions offset by depreciation.

Total Liabilities increased by \$15,703,440 due to the issuance of Bonds for Capital Construction.

Net position increased \$5,218,124 due to the issuance of Bonds for Capital Construction.

Changes in Net Assets

The District's Governmental Activities are reported on the accrual basis of accounting. Table 4 provides a summary of the changes in Net Position and comparison of revenues and expenditures from FY 2021-22 to FY 2020-21.

Huerfano School District RE-1 Condensed Statement of Changes in Net Position

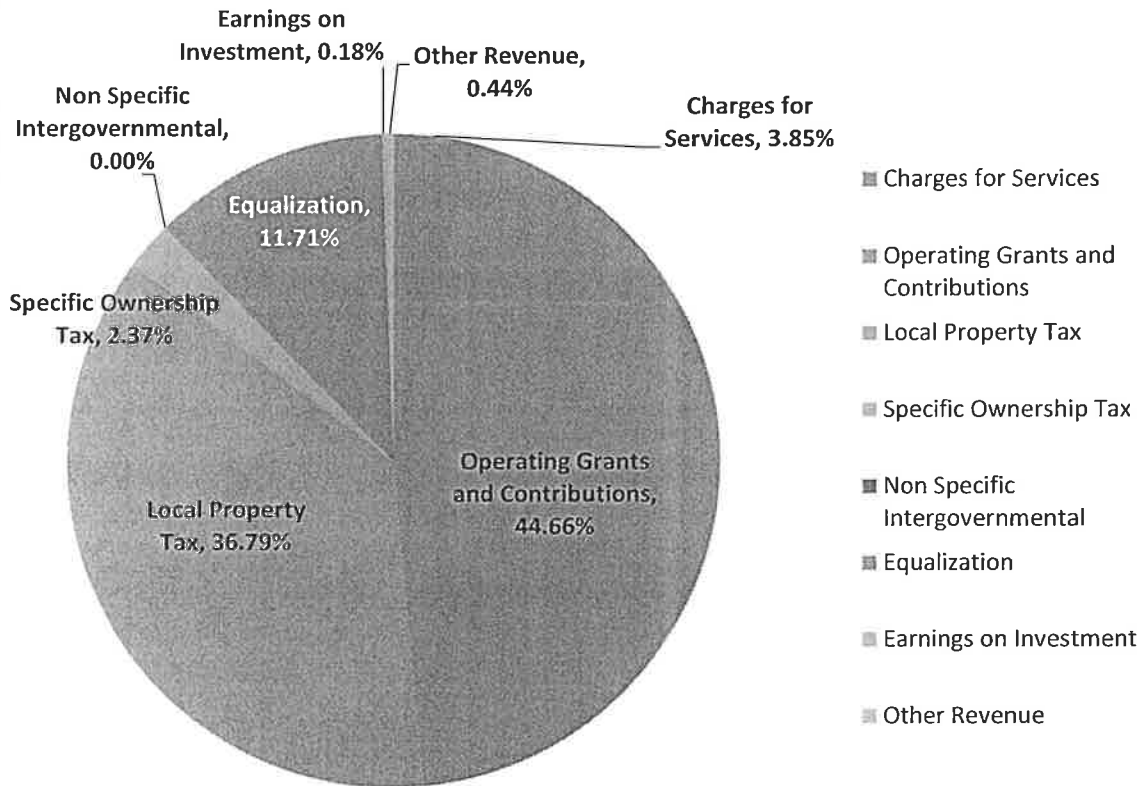
	6/30/2022 Governmental Activities	6/30/2021 Governmental Activities	Net Change
Program Revenues			
Charges for Services	\$ 470,445	\$ 73,631	\$ 396,814
Operating Grants & Contributions	\$ 3,874,935	\$ 2,877,964	\$ 996,971
Capital Grants & Contributions	\$ 1,587,665	\$ 2,797	\$ 1,584,868
General Revenues			
Property Taxes	\$ 4,500,216	\$ 3,161,247	\$ 1,338,969
Specific Ownership Taxes	\$ 290,463	\$ 357,845	\$ (67,382)
Non Specific Intergovernmental	\$ -	\$ 49,952	\$ (49,952)
School Finance Act (Equalization)	\$ 1,431,790	\$ 2,095,531	\$ (663,741)
Earnings on Investments	\$ 22,011	\$ 3,132	\$ 18,879
Other Revenue	\$ 53,223	\$ 63,425	\$ (10,202)
Charter Per Pupil Revenue	\$ (728,687)	\$ (616,338)	\$ 112,349
Total General Revenues	\$ 6,297,703	\$ 5,114,794	\$ 1,182,909
Total Revenues	\$ 12,230,748	\$ 8,069,186	\$ 4,161,562
Expenses			
Direct Instruction	\$ 3,656,769	\$ 4,814,396	\$ (1,157,627)
Indirect Instruction	\$ 234,893	\$ 893,037	\$ (658,144)
Student Transportation	\$ 423,709	\$ 152,508	\$ 271,201
Custodial & Maintenance	\$ 681,442	\$ 587,851	\$ 93,591
Other Support Services	\$ 1,470,634	\$ 1,133,014	\$ 337,620
General Administration	\$ 278,422	\$ 220,847	\$ 57,575
Interest on Long-Term Debt	\$ 356,880	\$ 37,251	\$ 319,629
Capital Outlay	\$ -	\$ 6,956	\$ (6,956)
Pension Amortization	\$ -	\$ (2,370,191)	\$ 2,370,191
OPEB Expense	\$ -	\$ (20,749)	\$ 20,749
Total Expenses	\$ 7,102,749	\$ 5,454,920	\$ 2,838,919
Changes in Net Position	\$ 5,127,999	\$ 2,494,690	\$ 2,633,309
Net Position, Beginning Restated	\$ 1,207,620	\$ (1,287,070)	\$ 2,494,690
Prior Period Adjustment	\$ 90,125	\$ -	\$ 90,125
Net Position, Ending	\$ 6,425,744	\$ 1,207,620	\$ 5,218,124

Revenues increased overall by \$4,161,562 primarily due to operating and capital grants.

Expenses increased by \$2,838,919 over the prior year due to the increase in operating grants.

**Huerfano School District RE-1
Government-Wide
Total Revenues FY 2021-22**

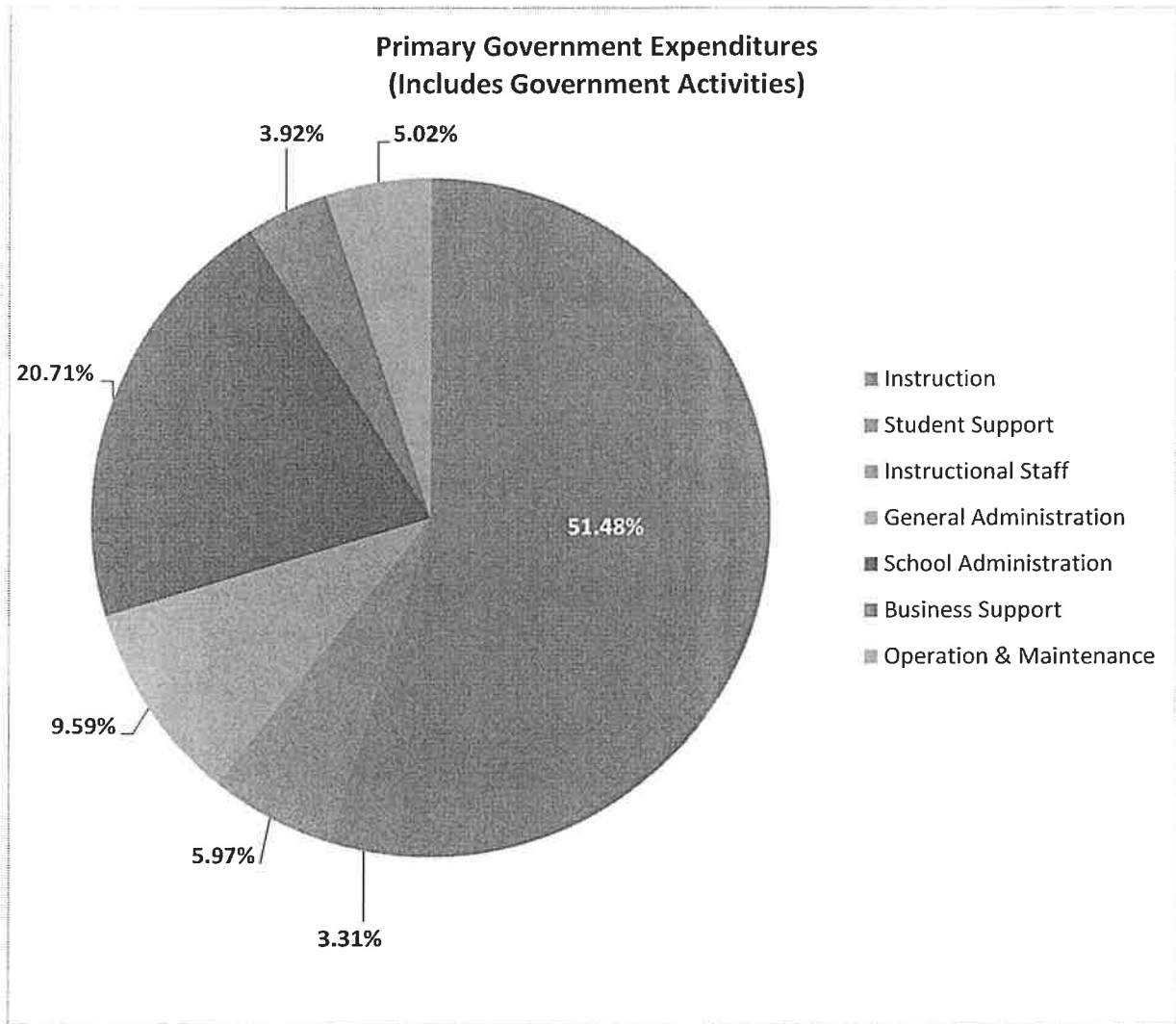
Primary Government Revenue (Government Activities)



**PRIMARY GOVERNMENT REVENUE
(Government Activities)**

Charges for Services	\$ 470,445	3.85%
Grants and Contributions	\$ 5,462,600	44.66%
Local Property Tax	\$ 4,500,216	36.79%
Specific Ownership Tax	\$ 290,463	2.37%
Non Specific Intergovernmental	\$ -	0.00%
Equalization	\$ 1,431,790	11.71%
Earnings on Investment	\$ 22,011	0.18%
Other Revenue	\$ 53,223	0.44%
	<u>\$ 12,230,748</u>	<u>100.00%</u>

**Huerfano School District RE-1
Government Wide
Total Expenditures FY 2021-22**



**Primary Government Expenditures
(Includes Government Activities)**

Direct Instruction	\$ 3,656,769	51.48%
Indirect Instruction	\$ 234,893	3.31%
Transportation	\$ 423,709	5.97%
Custodial & Maintenance	\$ 681,442	9.59%
Other Support Services	\$ 1,470,634	20.71%
General Administration	\$ 278,422	3.92%
Interest Expense, unallocated	\$ 356,880	5.02%
	<u>\$ 7,102,749</u>	<u>100.00%</u>

The primary source of operating revenue for school districts comes from the Public School Finance Act of 1994. Under this Act, the District received \$9,914 per funded in-school student compared to \$8,911 the prior year. The District's actual funded pupil count on October 1, 2021 was 512 compared to 526.5 the prior year. Statute provides for averaging with prior years for declining enrollment districts.

Total Program Funding from the School Finance Act comes from property taxes, specific ownership taxes, and state equalization. The District received \$5,155,333 under the School Finance Act compared to \$4,772,086 the prior year. The state share increased to 42%. The local share, which includes property taxes and specific ownership taxes, makes up the other 58% of funding from school finance.

The statement of activities provides the cost of program services and the related charges for services and grants offsetting those costs. The Net Cost of Governmental Activities schedule reflects each program's net cost (total cost less fees generated by the programs and intergovernmental aid provided for specific programs).

**Huerfano School District RE-1
Net Cost of Governmental Activities
Comparison from FY 2021-22 to 2020-21**

	FY 2021-22 Total Cost of Service	FY 2021-22 Service Fees Grants and Contributions	FY 2021-22 Net Cost Of Services	FY 2020-21 Total Cost of Service	FY 2020-21 Service Fees Grants and Contributions	FY 2020-21 Net Cost Of Services	Net Change
Governmental Activities							
Direct Instruction	\$ 3,656,769	\$ 2,779,160	\$ (877,609)	\$ 4,814,396	\$ 2,338,175	\$ (2,476,221)	\$ 1,598,612
Indirect Instruction	\$ 234,893	\$ 450,072	\$ 215,179	\$ 893,038	\$ 149,494	\$ (743,544)	\$ 958,723
Transportation Custodial & Maintenance	\$ 423,709	\$ 85,072	\$ (338,637)	\$ 272,083	\$ 89,740	\$ (182,343)	\$ (156,294)
Other Support Services	\$ 681,442	\$ 127,789	\$ (553,653)	\$ 587,850	\$ 61,272	\$ (526,578)	\$ (27,075)
General Administration	\$ 1,470,634	\$ 2,371,407	\$ 900,773	\$ 1,133,016	\$ 308,525	\$ (824,491)	\$ 1,725,264
Interest Expense, unallocated	\$ 278,422	\$ 119,545	\$ (158,877)	\$ 220,846	\$ 4,386	\$ (216,460)	\$ 57,583
Pension Amortization	\$ 356,880	\$ -	\$ (356,880)	\$ 37,251		\$ (37,251)	\$ (319,629)
OPEB Expense	\$ -	\$ -	\$ -	\$ (2,370,191)	\$ -	\$ 2,370,191	\$ (2,370,191)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,749)</u>	<u>\$ -</u>	<u>\$ 20,749</u>	<u>\$ (20,749)</u>
						\$ -	
Total Primary Government	<u>\$ 7,102,749</u>	<u>\$ 5,933,045</u>	<u>\$ (1,169,704)</u>	<u>\$ 5,567,540</u>	<u>\$ 2,951,592</u>	<u>\$ (2,615,948)</u>	<u>\$ 1,446,244</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

General Fund (Includes Fund 10/General Fund, Fund 19/CPP)

The General Fund is the major operating fund of the District, providing the majority of the resources for education and support programs. For fiscal year 2021-22 the beginning Fund Balance in the General Fund was \$2,381,506. Revenues in the General Fund totaled \$6,219,550 while expenditures totaled \$5,840,685 and transfers to other funds totaled \$364,250. The ending fund balance in the General Fund increased by \$4,615 from current operations resulting in an ending fund balance of \$2,396,121 as of June 30, 2022 including \$194,900 reserved for TABOR in accordance with Colorado statute regarding emergency reserves.

The General Fund is solvent and remains in sound financial condition. The District continues to make budget adjustments as needed to ensure that expenditures do not exceed revenues in order to maintain an appropriate fund balance.

Government Designated Grants Fund/Special Revenue (Fund 22)

The Government Designated Grants Fund is used to record financial transactions for grants received for designated purposes funded by federal, state, or local governments. Special revenue funds are legally restricted to expenditures for specific purposes. Revenue in the Government Designated Grants Fund, which includes the Federal Consolidated Grants, totaled \$2,747,624. The District reported \$3,095,874 from federal sources including the following grants over \$100,000:

Title I, Part A
21st Century
ESSER II
ESSER III

Bond Redemption (Fund 31)

Revenues from a tax levy for the purpose of satisfying bonded indebtedness obligations, both principal and interest, are recorded in the Bond Redemption Fund, but are administered by a third-party custodian. The District's approved third-party custodian for the Bond Redemption Fund is UMB Bank. The 2021 bond mill levy was 11.818. Revenue, including property tax and specific ownership tax, in the Bond Redemption Fund totaled \$1,367,310. Bond principal and interest payments in the amount of \$618,984 were made in FY 2021-22. The Ending Fund Balance in the Bond Redemption Fund was \$1,522,595 at June 30, 2022 compared to \$774,269 the prior year.

Building Fund (Fund 41)

The District was successful in passing a bond issue and being awarded a BEST grant. The building fund was created to account for these funds for Capital Construction.

The beginning balance was \$0. Revenues totaled \$1,423,475 with bond proceeds and premiums of \$16,396,581. The total expenditures were \$2,143,508. The ending fund balance as of June 30, 2022 was \$16,931,558.

Capital Projects Capital Reserve Fund (Fund 43)

The District uses a Capital Projects Fund to account for major projects that may take several years to complete and gifts and grants designated for the specific project are expected to be a major source of funding for that project.

The FY 2021-22 beginning Fund Balance in the Capital Projects Fund (43) was \$566,094. Revenues totaled \$786 and \$175,000 from transfers from the General Fund. Expenditures totaled \$57,236 of which was capital outlay. The Fund Balance as of June 30, 2022 was \$684,644.

Student Activity (Fund 23)

The Student Activity Fund is used to record financial transactions related to school-sponsored pupil intra-scholastic and inter-scholastic athletics and other related activities. These activities are supported in whole or in part by revenue from pupils, gate receipts, and other fund-raising activities.

The beginning Fund Balance in the Student Activity Fund was \$145,939. Revenues in the Student Activity Fund totaled \$119,376 and \$89,250 of transfers from the General Fund. Expenditures totaled \$210,676. The Fund Balance in the Student Activity Fund as of June 30, 2022 was \$143,889.

Food Service (Fund 21)

The Food Service Fund is used to record financial transactions related to the hot lunch and breakfast programs. The beginning Fund Balance in the Food Service Fund was \$48,075. Revenues in the Food Service Fund totaled \$449,291 including federal meal revenue of \$329,945, state revenue of \$2,467, other sources totaling \$16,879 and transfers from General Fund of \$100,000. Expenditures totaled \$398,199 leaving an ending Fund Balance in the Food Service Fund as of June 30, 2022 of \$99,167.

BUDGET ANALYSIS

The Board of Education approved a budget in June 2021 based on enrollment projections for the 2021-22 school year. Statute permits a district to amend its budget through January 31st each year, which the Board of Education approved at its meeting in January 2022. Budget comparisons appear on pages 38 and 39 and 46 through 50. Following is a discussion of significant variances of actual results compared to final budgets.

General Fund revenues were over budget by \$570,952. Expenditures were under budget by \$1,825,168 with variance spread to all functions.

Operating revenues from food sales were \$9,828 over budget. Expenditures were under budget by \$71,894. There was a General Fund transfer of \$100,000. The District budgeted for use of fund balance in the amount of \$48,075 but did not use it which resulted as increase in the fund balance by \$51,092.

Grant revenues were less than expenditures and both were less than budget by \$1,006,495 and \$1,004,649 respectively, this is primarily due to timing and receiving funds on a reimbursement basis.

Revenues in the Pupil Activities Special Revenue Fund were over budget by \$12,376 while expenditures were under budget by \$131,514. The subsidy from General Fund was \$89,250 equal to the amount budgeted. Overall, the fund balance decreased by \$2,049.

Revenues in the Bond Redemption Debt Service Fund were \$69,444 over budget. Spending was \$1,453,151 under budget primarily due to not spending appropriated reserves, which will be used for future bond payments. Ending fund balance increased \$1,522,595.

In the Capital Projects Capital Reserve Fund, revenues were over budget by \$686. Expenditures were \$683,958 below budget due mainly to appropriated reserves that were not spent.

CAPITAL ASSET AND LONG-TERM DEBT

Capital assets: The Huerfano School District RE-1 owns land with a carrying value of \$247,347 and construction in progress at \$2,035,831. Building and improvements capitalized at \$18,745,966 at June 30, 2022. Equipment and vehicles totaled \$2,121,968. In addition, the Districts Food Service Fund has equipment with a carrying value of \$313,123. The net carrying value of capital assets after subtracting accumulated depreciation is \$12,062,523 from governmental activities.

Long-term debt: District voters approved a general obligations bond of \$16,400,000 in 2020. General Obligation Bonds were issued for the original amount of \$16,396,581. Series 2021S State of Colorado BEST Program bonds of \$9,361,581 are due in semi-annual installments with annual payments ranging from \$591,125 to \$598,865 through December 1, 2041 with an interest rate of 2.467%. The Series 2022 General Obligation Bonds of \$7,035,000 are due in semi-annual installments with annual payments ranging from \$443,400 to \$448,400 through December 1, 2046 with an interest rate range of 3.00% to 4.00%. The \$4,140,000 Series 2011 general obligation bonds, due semi-annually with payments ranging from \$345,925 to \$405,600 through December 1, 2022, with interest rates ranging from 2.00% to 4.00% had a balance of \$390,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- There continues to be a pattern of decline in the funded pupil count. Huerfano's enrollment has been steadily declining with a few increases in the past few years. In Districts with declining enrollment such as Huerfano RE-1, the state averages the previous 5 years to determine an average funded count. The District's average "Funded Pupil Count" for 2021-22 was 520 compared to 526.5 for 2020-21, 529.1 for 2019-20, 517.0 for 2018-19, and 525.9 for 2017-18.
- Deficit spending had been a chronic problem, but the District has addressed the issue and has continued to have an operating surplus for over five years. For 2016-17 revenue increased due to the approval of a mill levy override by the voters. This has allowed the District to increase reserves for the past four years. Districts should keep at least three to four months operating costs in reserves for unexpected economic changes in addition to required TABOR reserves. The District needs to continue to monitor its reserves and not rely on them to balance the budget.

CONTACTING THE FINANCIAL MANAGEMENT TEAM OF HUERFANO SCHOOL DISTRICT RE-1

This financial report is designed to provide the District's taxpayers, citizens, investor, and creditors with a general overview of the District's financial status and to demonstrate the District's accountability for the money it receives.

If there are questions regarding this report or additional information is needed, contact Superintendent Michael Moore or Business Manager Erica Mason at Huerfano School District RE-1, 201 East Fifth Street, Walsenburg, CO 81089.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

STATEMENT OF NET POSITION
HUERFANO SCHOOL DISTRICT RE-1
June 30, 2022

	Primary Government Governmental Activities	Component Units Charter School
<u>Assets</u>		
Cash and investments - unrestricted	\$ 3,249,025	\$ 283,980
Receivables	1,485,582	170,409
Restricted cash and investments	18,549,378	-
Inventories	11,439	-
Prepaid expenses	66,404	16,494
Capital Assets		
Non-depreciable	2,283,178	-
Depreciable - net	9,779,345	-
Total Assets	35,424,351	470,883
<u>Deferred Outflow of Resources</u>		
Related to refunding	2,425	-
Related to OPEB	54,853	50,179
Related to pensions	2,884,984	1,160,098
Total Deferred Outflows of Resources	2,942,262	1,210,277
<u>Liabilities</u>		
Accounts payable and accrued liabilities	733,086	118,834
Accrued salaries	435,668	43,581
Unearned revenue	206,729	13,614
Long-Term Liabilities		
Due within one year	1,034,770	-
Due in more than one year	17,095,473	-
Net OPEB liability	393,167	48,606
Net pension liability	8,127,032	1,004,667
Total Liabilities	28,025,925	1,229,302
<u>Deferred Inflow of Resources</u>		
Related to leases	21,447	-
Related to OPEB	85,940	17,171
Related to pensions	3,807,557	377,728
Total Deferred Inflows of Resources	3,914,944	394,899
<u>Net Position</u>		
Investment in capital assets, net of related debt	12,363,793	-
Restricted	1,843,693	31,116
Unrestricted	(7,781,742)	25,843
Total Net Position	\$ 6,425,744	\$ 56,959

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

STATEMENT OF ACTIVITIES
HUERFANO SCHOOL DISTRICT RE-1
For the year ended June 30, 2022

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions	Charter School
Governmental Activities					
Direct instruction	\$ 3,656,769	\$ 354,991	\$ 2,381,003	\$ 43,166	\$ (877,609)
Indirect instruction	234,893	-	450,072	-	215,179
Transportation	423,709	-	26,522	58,550	(338,637)
Custodial and maintenance	681,442	-	127,789	-	(553,653)
Other support services	1,470,634	16,879	868,579	1,485,949	900,773
General administration	278,422	98,575	20,970	-	(158,877)
Interest expense, unallocated	356,880	-	-	-	(356,880)
Total Governmental Activities	7,102,749	470,445	3,874,935	1,587,665	(1,169,704)
Component Unit - Charter School	\$ 1,436,606	\$ -	\$ 484,887	\$ 10,123	\$ (941,596)
General Revenues					
Local property taxes				\$ 4,500,216	\$ 7,000
Specific ownership taxes				290,463	-
School finance act				1,431,790	708,858
Earnings on investments				22,011	-
Other				53,223	238,531
				6,297,703	954,389
Changes in Net Position					
				5,127,999	12,793
Net Position - July 1 - Restated					
				1,297,745	44,166
				\$ 6,425,744	\$ 56,959

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

GOVERNMENTAL FUND
FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS
HUERFANO SCHOOL DISTRICT RE-1
June 30, 2022

	General	Designated	Debt	Building	Capital	Other	Total
<u>Assets</u>	<u>Fund</u>	<u>Purpose Grants</u>	<u>Service</u>	<u>Fund</u>	<u>Reserve</u>	<u>Governmental</u>	<u>Governmental</u>
Cash and investments - unrestricted	\$ 2,319,114	\$ 59,484	\$ -	\$ -	\$ 652,544	\$ 217,883	\$ 3,249,025
Restricted cash	-	-	1,461,527	17,087,851	-	-	18,549,378
Accounts and other receivables	293,940	606,981	101,068	347,878	-	29,457	1,379,324
Due from other funds	478,256	-	-	-	32,100	8,056	518,412
Inventories	-	-	-	-	-	11,439	11,439
Prepaid expenses	42,253	-	-	-	-	-	42,253
Total Assets	3,133,563	666,465	1,562,595	17,435,729	684,644	266,835	23,749,831
Liabilities							
Accounts payable	49,275	170,536	-	469,721	-	915	690,447
Accrued salaries and benefits	408,912	26,756	-	-	-	-	435,668
Due to other funds	2,004	465,392	-	34,450	-	16,566	518,412
Unearned revenue	194,804	5,627	-	-	-	6,298	206,729
Total Liabilities	654,995	668,311	-	504,171	-	23,779	1,851,256
Deferred Inflow of Resources							
Property taxes	61,000	-	40,000	-	-	-	101,000
Leases	21,447	-	-	-	-	-	21,447
Total Deferred Inflow of Resources	82,447	-	40,000	-	-	-	122,447
Fund Balance							
Nonspendable	42,253	-	-	-	-	11,439	53,692
Restricted	321,098	-	1,522,595	16,931,558	-	-	18,775,251
Committed	-	-	-	-	684,644	-	684,644
Assigned	-	-	-	-	-	231,617	231,617
Unassigned	2,032,770	(1,846)	-	-	-	-	2,030,924
Total Fund Balances	\$ 2,396,121	\$ (1,846)	\$ 1,522,595	\$ 16,931,558	\$ 684,644	\$ 243,056	\$ 21,776,128

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

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
HUERFANO SCHOOL DISTRICT RE-1
June 30, 2022

Total Fund Balances - Governmental Fund	\$	21,776,128	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			12,062,523
Revenues, such as property taxes, not available to pay for current period expenditures and are therefore shown as deferred inflows in the governmental funds but recorded as general revenues in the statement of net position.			101,000
Other long-term assets are not available to pay for current period expenditures and are therefore not recorded in the governmental funds but recorded as prepaid amounts or receivables in the statement of net position.			130,409
Deferred inflows and outflows of resources represent an acquisition or consumption of net position that applies to future periods and are therefore not reported in the governmental funds:			
Deferred amount on refunding	\$	2,425	
Deferred outflows - OPEB related amounts		54,853	
Deferred outflows - pension related amounts		2,884,984	
Deferred inflows - OPEB related amounts		(85,940)	
Deferred inflows - pension related amounts		<u>(3,807,557)</u>	(951,235)
Long-term liabilities, including long-term debt are not due and payable in the current period and therefore are not reported in the governmental funds:			
General Obligation Bonds		(16,786,581)	
Bond premiums		(1,236,153)	
Compensated absences		(107,509)	
Accrued interest		(42,639)	
Net OPEB obligation		(393,167)	
Net pension obligation		<u>(8,127,032)</u>	<u>(26,693,081)</u>
Total Net Position - Governmental Activities	\$		<u>6,425,744</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

HUERFANO SCHOOL DISTRICT RE-1

June 30, 2022

	General Fund	Designated Purpose Grants Fund	Debt Service Fund	Building Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Local property tax	\$ 3,145,883	\$ -	\$ 1,367,130	\$ -	\$ -	\$ -	\$ 4,513,013
Specific ownership tax	290,463	-	-	-	-	-	290,463
State sources	3,000,965	-	-	1,404,723	-	2,467	4,408,155
Federal sources	18,305	2,747,624	-	-	-	329,945	3,095,874
Other sources	492,621	-	180	18,752	786	136,255	648,594
Fund allocations	(728,687)	-	-	-	-	-	(728,687)
Total Revenues	<u>6,219,550</u>	<u>2,747,624</u>	<u>1,367,310</u>	<u>1,423,475</u>	<u>786</u>	<u>468,667</u>	<u>12,227,412</u>
Expenditures							
Direct instruction	2,966,387	1,779,885	-	-	-	-	4,746,272
Indirect instruction	872,072	235,947	-	-	-	210,676	1,318,695
Transportation	321,786	81,374	-	-	-	-	403,160
Custodial and maintenance	612,150	69,292	-	-	-	-	681,442
Other support services	804,410	383,875	-	-	7,336	398,199	1,593,820
General administration	253,170	20,969	-	-	-	-	274,139
Capital outlay	10,710	178,128	-	2,035,831	49,900	-	2,274,569
Debt service:							
Principal retirement	-	-	390,000	-	-	-	390,000
Interest and fiscal charges	-	-	228,984	-	-	-	228,984
Debt issuance costs	-	-	-	107,677	-	-	107,677
Total Expenditures	<u>5,840,685</u>	<u>2,749,470</u>	<u>618,984</u>	<u>2,143,508</u>	<u>57,236</u>	<u>608,875</u>	<u>12,018,758</u>
Excess of Revenues Over (Under) Expenditures	<u>378,865</u>	<u>(1,846)</u>	<u>748,326</u>	<u>(720,033)</u>	<u>(56,450)</u>	<u>(140,208)</u>	<u>208,654</u>
Other Financing Sources (Uses)							
Transfers to other funds	(364,250)	-	-	-	-	-	(364,250)
Transfers from other funds	-	-	-	-	175,000	189,250	364,250
Bond proceeds	-	-	-	16,396,581	-	-	16,396,581
Premium on issuance	-	-	-	1,255,010	-	-	1,255,010
Total Other Financing Sources (Uses)	<u>(364,250)</u>	<u>-</u>	<u>-</u>	<u>17,651,591</u>	<u>175,000</u>	<u>189,250</u>	<u>17,651,591</u>
Net Change in Fund Balances	14,615	(1,846)	748,326	16,931,558	118,550	49,042	17,860,245
Fund Balances - July 1	<u>2,381,506</u>	<u>-</u>	<u>774,269</u>	<u>-</u>	<u>566,094</u>	<u>194,014</u>	<u>3,915,883</u>
Fund Balances - June 30	<u>\$ 2,396,121</u>	<u>\$ (1,846)</u>	<u>\$ 1,522,595</u>	<u>\$ 16,931,558</u>	<u>\$ 684,644</u>	<u>\$ 243,056</u>	<u>\$ 21,776,128</u>

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

**RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2022

Total Change in Fund Balances - Governmental Funds	\$	17,860,245
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 2,262,776		
Depreciation expense	(543,387)		1,719,389

Revenue, such as property taxes, not available to pay for current period expenditures are not recognized as revenue in the governmental funds.

Property taxes	(12,797)		
Other	16,133		3,336

Expenditures for services which benefit a future period are reported as prepaid amounts in the statement of net position and are not recognized in the governmental funds.

24,151

The issuance of long-term obligations (e.g. bonds, leases) provide current financial resources to the governmental funds, while repayment of the principal of long-term obligations consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term obligations and related items.

Principal payments on long-term obligations	390,000		
Bond proceeds	(16,396,581)		
Bond premium	(1,255,010)		
Amortization of deferred refunding amounts	(7,274)		
Amortization of bond premiums	27,094		
Change in accrued interest	(40,039)		(17,281,810)

In the statement of activities, certain operating expenses - compensated absences (sick and vacation), pension benefits, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (essentially, the amounts actually paid). This amount represents the net effect of compensated absences, pension and OPEB amounts on the statement of activities.

Pension income	2,762,797		
OPEB income	39,084		
Change in compensated absences	807		2,802,688

Total Change in Net Position - Governmental Activities	\$	5,127,999
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The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Huerfano School District RE-1, (the District) conform to generally accepted accounting principles, as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The District's more significant accounting policies are described below.

Reporting Entity

Huerfano School District RE-1 of Huerfano County was organized by a vote of qualified electorate on April 14, 1959, under the provisions of the Colorado School Organization Act of 1957. The District operates under an elected Board of Education with seven members. The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Huerfano School District RE-1. 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 accompanying financial statements represent the District and component unit for which the District is considered to be financially accountable.

The discretely presented component unit are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the District.

Discretely Presented Component Unit - Charter School

The Legislature of the State of Colorado enacted the "Charter School Act - Colorado Revised Statutes (CRS) Section 22-30.5-101" in 1993. This Act permits the District to contract with individuals and organizations for the operation of schools within the District. The statutes define these contracted schools as "Charter Schools." Charter Schools are financed from a portion of the District's school finance act revenues, property taxes and from revenues generated by the charter school, within the limits established by the Charter School Act. Charter Schools generally have separate governing boards; however, the Huerfano School District's Board of Education must approve all Charter School applications and budgets. The Charter School is required to be presented as a component unit by the Colorado Department of Education and is required to have an individual audit. The District considers the Charter School to be a non-major component unit because the school does not have a significant enough relationship to require separate reporting within the basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is included within the supplementary section of this report. The Charter School is reported as a discretely presented component unit in a separate column titled "Component Unit" in the government-wide financial statements.

The Charter School has issued separate financial statements for the fiscal year ended June 30, 2022. Complete financial statements may be obtained at the school's administrative offices: Gardner Valley School, P.O. Box 181, Gardner, CO 81040.

Government-Wide and Fund Financial Statements

The Government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds (General Fund, Capital Reserve-Capital Projects Fund, Building Capital Projects Fund, Grants Special Revenue Fund, and Bond Redemption Debt Service) are reported as separate columns in the fund financial statements.

Reconciliation of Government-Wide and Fund Financial Statements

The governmental funds balance sheet includes a reconciliation between fund balances - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis were eliminated from the governmental fund statements during the consolidation of governmental activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property and specific ownership taxes are reported as receivables and deferred inflows when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements are met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and lease debt service which is recognized when due and certain sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable financial resources.

The proprietary fund type is accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. The District has no proprietary funds.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows, fund balance, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds presented in the accompanying basic financial statements are as follows:

Governmental Fund Types

The focus of the governmental fund types measurement is upon determination of financial position and changes in financial position rather than upon net income. The following is a description of the major and nonmajor governmental fund types of the School District:

General Fund

The General Fund, a major fund, records financial transactions for the current educational operations of the School District. All revenues and expenditures not allocated by law or contractual agreement to a special fund are accounted for in this fund. Activities relating to the Preschool have been included in the General Fund.

Designated-Purpose Grants Fund

The Designated Grants Fund, a major fund, is used to account for financial resources received from the federal government and other designated-purpose grants for expenditures incurred in carrying out the objectives of these programs.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes. The Special Revenue Funds consist of the Designated-Purpose Grants Fund, Pupil Activity Fund, and the Food Service Fund.

The Food Service Fund is used to account for the revenue and expenses related to providing breakfast, lunch and snacks to District students. Revenues include federal and state grants and food sales.

The Pupil Activity Fund accounts for funds related to school sponsored organizations and activities.

Debt Service Fund

The Debt Service Fund, a major fund, is used to account for the accumulation of resources and payments of interest and principal on long-term debt.

Capital Projects Funds

The Building Fund, a major fund, is used to account for bond proceeds expended for the purpose of improving, equipping, and furnishing District buildings and other property.

The Capital Reserve Fund, a major fund, is used to account for the acquisition of sites, buildings, equipment, and vehicles.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

Cash on hand, cash in the bank and all highly liquid investments with a maturity of three months or less when purchased or subject to withdrawal, are considered to be cash and cash equivalents.

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

All investment income, including changes in fair value of investments are reported as investment income in the District's financial statements. Cash and investments are subject to Colorado State Statutes as described in Note 3.

Lease Receivable

In June 2017, The GASB issued GASB Statement No. 87, Leases. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principal that leases are financings of the right to use an underlying asset. Under this standard, a lease is required to recognize a liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption.

Inventories

Purchased inventories of the Food Service Fund are stated at cost using the first-in, first-out method of determining inventories on hand. Commodity inventories in the Food Service Fund are stated at their fair market value on the date received. Perpetual inventory records are maintained for food service inventories. Physical counts were made of all inventories as of June 30, 2022. Inventories were adjusted to reflect the amounts determined by physical count.

Capital Assets

All capital assets are capitalized at cost or estimated historical cost. Donated assets are recorded at fair market value at the time of donation. The costs of normal maintenance, repairs and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. The proceeds from the sale of assets used in the operations of the governmental fund types are recorded as revenues in the appropriate fund. The School District does not capitalize interest on the construction of capital assets. The School District maintains a capitalization threshold of \$5,000.

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation of all capital assets used in governmental activities and by proprietary funds is charged as an expense against their operations. Depreciation is recorded starting in the month the asset is placed in service. Estimated useful lives are as follows:

	<u>ESTIMATED USEFUL LIFE</u>
Buildings and improvements	20-50 years
Furniture and fixtures	5-20 years
Automotive equipment	5-10 years

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

Unearned revenue in the government-wide and the fund financial statements consists primarily of unearned tuition, fees, and grants.

Accounts Payable

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to June 30, 2022.

Property Taxes

The School District's ad valorem property tax is levied by each December 15 for all real and business personal property located in the District. The assessed value of the roll on January 1, 2022, upon which the levy for the 2022 fiscal year was based, was \$607,157,990.

The tax rates assessed for the year ended June 30, 2022 to finance general fund operations and the payment of principal and interest on general long-term debt were \$27.766 and \$11.818 per \$1,000 valuation, respectively, for a total of \$39.584 per \$1,000 valuation.

Property taxes attach as an enforceable lien on property as of January 1 following the levy date. Taxes are payable in two equal payments due before the last day of February and the 15th day of June or in one full payment before the last day of April.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position and/or balance sheets will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets by the District that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net assets by the District that is applicable to future reporting periods. Both deferred inflow and deferred outflows are reported in the statement of net position but are not reported as revenue or expenditures until the period(s) to which they relate.

The District reports deferred outflows for amounts related to pensions and OPEB. The pension and OPEB amounts consist of several components and are more fully described in Notes 11 and 13. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the refunding debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, and are recognized as an inflow of resources in the period they are collected.

The District reports deferred inflows for the amounts related to pensions and OPEB. The pension and OPEB amounts consist of several components and are more fully described in Notes 11 and 13.

Deferred inflows related to leases have been recorded as of June 30, 2022, which is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that related to future periods.

Compensated Absences

The Board shall provide sick leave for all regular full-time and part-time employees of the District in direct relation to the full time equivalency of the employee (e.g. a full-time employee shall receive 100% of the sick leave provided for full-time employees whereas a "3/4 time" employee shall receive 75% of sick leave benefits provided for full-time employees). Those part-time employees who work the same number of days as full-time employees, but only work as a reduced day, such as a four hour day; shall receive the same number of days of paid sick leave as the full time employees; however the pay for such days shall equal the per diem then being received by the part-time employee. Substitute employees such as substitute teachers and temporary staff are not eligible for any sick leave benefits.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

Compensated absences are reported as non-current liabilities in the government-wide financial statements.

Amounts recognized as expenditures on the fund financial statements are those which have been paid in the current year or are expected to be liquidated with currently available expendable financial resources.

Budgets and Budgetary Data

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

1. Prior to June 1, the Business Manager submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration should be employed as a management control device during the year for all funds.
6. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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

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

On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third-party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of Colorado makes direct on-behalf payments for retirement benefits to Colorado PERA. Beginning of July 1, 2018, the State of Colorado is required to make a payment to PERA each year equal to \$225 million. PERA allocates the contribution to the trust funds of the State, School, Denver Public Schools, and Judicial Division Trust Funds of PERA, as proportionate to the annual payroll of each division. This annual payment is required on July 1st of each year until there are no unfunded actuarial accrued liabilities of any division of PERA that receives direct distribution. House Bill 20-1379 suspended the \$225 million direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year. In accordance with C.R.S. §24-51-414, the direct distribution payment from the State of Colorado recommences annually starting July 1, 2021. The on-behalf payments of \$99,468 were made for the District by the State of Colorado have been recorded in the fund financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balance

As of June 30, 2022, the District had one fund with a deficit fund balance. The Designated Grants Fund had a deficit fund balance of \$1,846.

Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, and natural disaster. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage during the fiscal year.

Risks and Uncertainties

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, was severely impacted for months and may continue to impact the economy. Management has been carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

NOTE 3 - CASH AND INVESTMENTS

Deposits

Colorado State statutes govern the School District's deposits of cash. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal insurance (FDIC or FSLIC) on deposits held.

Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to the total uninsured deposits held by that institution. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pool. At June 30, 2022, the District had deposits over \$250,000 in the amount of \$1,317,641. These deposits are required to be collateralized under State Statutes.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial risk parallels Colorado statutes.

A summary of cash and deposits held at year end follows:

<u>Cash and Deposits</u>	<u>Carrying Amount</u>	<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<u>Deposits</u>			
Cash	\$ 1,762,783	\$ 1,762,783	\$ -
Cash held by County Treasurer	677,655	677,655	-
<u>Investments</u>			
State investment pool (ColoTrust)	9,496,163	9,496,163	-
Money market	1,259,015	1,259,015	-
U.S. Government Securities	8,886,767	8,886,767	-
Total Deposits	\$ 22,082,383	\$ 22,082,383	\$ -
Governmental Activities	\$ 21,798,403		
Component Unit	283,980		
	\$ 22,082,383		

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, banker's acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

The District and component unit has invested funds in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1. Their investments consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities.

A designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal functions of ColoTrust. Substantially all securities owned by both entities are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by ColoTrust.

The District categorizes its fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 2 or 3 inputs.

- U.S. Government Securities are valued on quoted market prices (Level 1 inputs).
- Investments in ColoTrust are reported at fair value. However, this investment is not subject to the fair value hierarchy,

Interest rate risk - The District's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing rates parallels Colorado statutes. Specifically, all securities are limited to a maximum maturity of five years from the date of purchase unless the governing body authorizes a longer period.

Credit risk - The District does not have a policy that would further limit its choices beyond the requirements of Colorado statutes. As of June 30, 2022, the District's investment in ColoTrust was rated AAm by Standard and Poor's. The U.S. Government Securities are assigned the highest credit ratings by S&P and Moody.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – RECEIVABLES

Receivables at June 30, 2022 consisted of taxes, accounts (rents and fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

General Fund			
Property taxes	\$	203,282	
Leases		21,447	
Grants		13,837	
Accounts receivable – other		55,134	
Component unit		240	
			\$ 293,940
Bond Redemption Fund			
Property taxes			101,068
Building Fund			
Grants			347,878
Designated Purposes Grant			
Grants			606,981
Non-major Funds			
Food Service		28,001	
Pupil Activity		1,456	29,457
Totals – Governmental Funds Balance Sheet			1,379,324
Accounts receivable – long term – Component unit			106,258
Totals - Statement of Net Position – Governmental Activities			<u>\$ 1,485,582</u>

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A summary of the interfund receivables and payables at June 30, 2022 as reported in the balance sheet for government funds follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 510,356	\$ 2,004
Nonmajor Governmental Funds	8,056	16,566
Major Governmental Funds	-	499,842
Totals All Funds	<u>\$ 518,412</u>	<u>\$ 518,412</u>

The General Fund receivable is a result of financing programs in other funds. The General Fund payable is a result of amounts due to food service for amounts withheld from employees. Other balances are a result of miscellaneous reimbursements.

Transfers and allocations are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers during the fiscal year ending June 30, 2022 consisted of transfers to other governmental funds from the general fund in the amount of \$364,250.

NOTE 6 – LEASES

The District, acting as lessor, leases property to various telecommunications companies for the placement of cell phone towers and building rental under long-term noncancelable lease agreements. The leases expire at various dates through 2027 and provide for a renewal option of three additional years. During the year ended June 30, 2022, the District recognized \$39,513 and \$413 in lease revenue and interest revenue, respectively, pursuant to the contracts.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 – LEASES (Continued)

The leases provide for future increases to minimum annual rental payments based on formulas outlined in the contracts. Total future minimum lease payments to be received under the lease agreements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 7,038	\$ 307	\$ 7,345
2024	7,305	197	7,502
2025	1,981	119	2,100
2026	2,019	81	2,100
2027	2,058	42	2,100
2028-2032	1,044	6	1,050
Total	\$ 21,447	\$ 752	\$ 22,197

NOTE 7 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
<u>Governmental Activities</u>				
Non-Depreciable Assets:				
Land	\$ 247,347	\$ -	\$ -	\$ 247,347
Construction in Progress	-	2,035,831	-	2,035,831
Total Non-Depreciable Assets	<u>247,347</u>	<u>2,035,831</u>	<u>-</u>	<u>2,283,178</u>
Depreciable Assets:				
Buildings & Improvements	18,745,966	-	-	18,745,966
Equipment & Vehicles	1,895,023	226,945	-	2,121,968
Food Service	313,123	-	-	313,123
Total Depreciable Assets	<u>20,954,112</u>	<u>226,945</u>	<u>-</u>	<u>21,181,057</u>
Less Accumulated Depreciation for:				
Building & Improvements	9,130,543	449,263	-	9,579,806
Equipment & Vehicles	1,421,011	90,368	-	1,511,379
Food Services	306,771	3,756	-	310,527
Total Accumulated Depreciation	<u>10,858,325</u>	<u>543,387</u>	<u>-</u>	<u>11,401,712</u>
Total Capital Assets, Net	<u>\$ 10,343,134</u>	<u>\$ 1,719,389</u>	<u>\$ -</u>	<u>\$ 12,062,523</u>

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

Governmental Activities:	
Direct instruction	\$ 514,799
Transportation	4,283
Custodial and maintenance	20,549
Other support services	3,756
Total Depreciation Expense – Governmental Activities	<u>\$ 543,387</u>

NOTE 8 - ACCRUED SALARIES AND BENEFITS

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August but are earned during a school year of approximately nine months. Accrued benefits represents the School District's 20.9% contribution to P.E.R.A. on the accrued salaries. The salaries and benefits earned, but unpaid, as of June 30, 2022, are \$435,668 and will be paid during the 2022-2023 fiscal year. Accordingly, the accrued salaries are reflected as a liability in the accompanying financial statements.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the District were as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>	<u>Current Portion</u>
General Obligation Bonds	\$ 780,000	\$ 16,396,581	\$ 390,000	\$ 16,786,581	\$ 982,510
Bond Premiums	8,237	1,255,010	27,094	1,236,153	52,260
Compensated Absences	108,316	-	807	107,509	-
Total GO Bonds and Other Obligations	896,553	17,651,591	417,901	18,130,243	1,034,770
Net pension liability	10,273,117	-	2,146,085	8,127,032	-
Net OPEB liability	373,919	19,248	-	393,167	-
Total Long-Term Liabilities	\$ 11,543,589	\$ 17,670,839	\$ 2,563,986	\$ 26,650,442	\$ 1,034,770

General Obligation Bonds

The District issues general obligation (G.O.) bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The legal debt limit and debt margin as of June 30, 2022 are \$21,962,744 and \$5,176,163, respectively. Management of the District believes it is in compliance with the legal debt limits.

General obligation bonds outstanding at June 30, 2022, consist of the following:

\$4,140,000 Series 2011 General Obligation Bonds, due in semi-annual installments with annual payments ranging from \$354,925 to \$405,600 through December 1, 2022. Interest rates range from 2.00% to 4.00%.

\$ 390,000

\$9,361,581 Series 2021S State of Colorado Building Excellent Schools Today Program Bonds, due in semi-annual installments with annual payments ranging from \$591,125 to \$598,865 through December 1, 2041. Interest rate is 2.467%.

9,361,581

\$7,035,000 Series 2022 General Obligation Bonds, due in semi-annual installments with annual payments ranging from \$443,400 to \$448,400 through December 1, 2046. Interest rates range from 3.00% to 4.00%

7,035,000
\$ 16,786,581

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 982,510	\$ 462,197	\$ 1,444,707
2024	556,568	484,165	1,040,733
2025	570,857	469,361	1,040,218
2026	585,377	454,174	1,039,551
2027	600,130	438,600	1,038,731
2028-2032	3,285,594	1,912,348	5,197,942
2033-2037	3,808,174	1,386,683	5,194,856
2038-2042	4,417,372	772,548	5,189,919
2043-2047	1,980,000	244,000	2,224,000
Total	\$ 16,786,581	\$ 6,624,076	\$ 23,410,657

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 – LONG-TERM LIABILITIES (Continued)

Prior Years' Debt Defeasance

In 2011, the District has defeased the 2002 General Obligation Bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government securities that were placed in trust funds. The investments and fixed earnings from the investments are enough to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2022, the amount of the defeased debt outstanding was \$410,000.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Tax, Revenue, Spending and Debt Limitation

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR imposes tax raising, revenue, spending and debt limitations on local government entities within the State of Colorado. These limitations became effective for the first fiscal year beginning after December 31, 1992, which for the District was the year ended June 30, 1994. On November 5, 1996, the registered voters approved a ballot resolution authorizing Huerfano School District RE-1 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased, or any new tax be imposed. The amendment is complex and subject to judicial interpretation. The District has made certain interpretations of the amendment's language in order to determine its compliance. The District believes it is in compliance with the tax raising, revenue, spending, debt and other limitations.

In addition to the tax raising, revenue, spending and debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies establish an "emergency reserve". To be used for declared emergencies only, each entity must reserve 3% or more of its fiscal year spending excluding bonded debt service. For the year ended June 30, 2022, the School District's reserve requirement was approximately \$194,900 which represents 3% of fiscal year spending. The District has recognized the emergency reserve in the General Fund.

Federal and State Grants

Federal and State grants are subject to audit by the grantor agencies and any adjustments may become a liability of the appropriate fund. Management believes these adjustments, if any, will not materially affect the District's results of operations or financial position.

Economic Dependency

Funding provided by the State to all public school systems in Colorado is primarily based upon the October 1 student count. The State provided \$4,408,155, which represents approximately 38% of the District's total governmental fund revenues for the year. The School District issued general obligation bonds for the purpose of financing voter approved capital construction projects.

Arbitrage Liability

An arbitrage liability is the requirement to refund a portion of the investment earnings on bond proceeds temporarily invested until construction payments are made if certain statutory spend down requirements are not met. The potential arbitrage liability is not yet determinable. When such a liability, if any, is determined it would be recorded in the government-wide statement of net assets as long-term debt until it is required to be refunded to the Federal government and becomes a current liability.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions

Huerfano School District RE-1 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.

General Information about the Pension Plan

Plan description

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

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

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

Contributions provisions as of June 30, 2022

Eligible employees of Huerfano School District RE-1 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.

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Huerfano School District RE-1 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Huerfano School District RE-1 were \$867,668 for the year ended June 30, 2022.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023 and July 1, 2024.

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

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. The Huerfano School District RE-1 proportion of the net pension liability was based on Huerfano School District RE-1 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 Huerfano School District RE-1 reported a liability of \$8,127,032 for its proportionate share of the net pension liability that reflected an increase for support from the state as a nonmember contributing entity. The amount recognized by the Huerfano School District RE-1 as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with Huerfano School District RE-1 were as follows:

The District's proportionate share of the net pension liability	\$ 8,127,032
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	931,660
Total	<u>\$ 9,058,692</u>

At December 31, 2021, the Huerfano School District RE-1 proportion was .0698359766%, which was an increase of .0018830151% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the Huerfano School District RE-1 recognized pension income of \$2,762,798 and revenue of \$99,468 for support from the State as a nonemployer contributing entity. At June 30, 2022, the Huerfano School District RE-1 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	\$ 394,534	\$ -
Changes of assumptions or other inputs	786,744	-
Net difference between projected and actual earnings on pension plan investments	467,528	3,773,055
Changes in proportion and differences between contributions recognized and proportionate share of contributions	810,962	34,502
Contributions subsequent to the measurement date	425,216	-
Total	<u>\$ 2,884,984</u>	<u>\$ 3,807,557</u>

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

\$425,216 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	\$ 102,292
2024	(643,317)
2025	(697,843)
2026	(108,921)
2027	-
	\$ (1,347,789)

Actuarial assumptions

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

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

*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

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

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

- **Males:** 112% 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.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

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

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

- 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 SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021 and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021 and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- 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 position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Huerfano School District RE-1 proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 11,962,326	\$ 8,127,032	\$ 4,926,622

Pension plan fiduciary net position

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

NOTE 12 – DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description

Employees of the Huerfano School District RE-1 that are also members of the 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 AVFR 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, employer contributions and investment earnings.

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB

Huerfano School District RE-1 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACRF) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided

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

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

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

PERA Benefit Structure

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

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.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 % 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)(1) 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 Huerfano School District RE-1 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Huerfano School District RE-1 were \$44,518 for the year ended June 30, 2022.

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

At June 30, 2022, the Huerfano School District RE-1 reported a liability of \$393,167 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 Huerfano School District RE-1 proportion of the net OPEB liability was based on Huerfano School District RE-1 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 Huerfano School District RE-1 proportion was 0.045575843%, which was an increase of 0.0062469721% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the Huerfano School District RE-1 recognized OPEB income of \$39,084. At June 30, 2022, the Huerfano School District RE-1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,725	\$ 56,565
Changes of assumptions or other inputs	23,437	12,940
Net difference between projected and actual earnings on OPEB plan investments	7,917	16,435
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	21,774	-
Total	\$ 54,853	\$ 85,940

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

\$21,774 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	\$	(11,796)
2024		(11,796)
2025		(11,796)
2026		(11,796)
2027		(11,794)
2028		6,117
	\$	<u>(52,861)</u>

Actuarial assumptions

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

	<u>State Division</u>	<u>School Division</u>	<u>Local Government Division</u>	<u>Judicial Division</u>
Actuarial cost method			Entry age	
Price inflation			2.30%	
Real wage growth			.70%	
Wage inflation			3.00%	
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.4%-11.00%	3.2%-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 4.5% in 2029	
DPS benefit structure:				
Service-based premium subsidy			0.00%	
PERACare Medicare plans			N/A	
Medicare Part A premiums			N/A	

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

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

<u>Initial Costs for Members Without Medicare Part A</u>			
<u>Medicare Plan</u>	<u>Monthly Cost</u>	<u>Monthly Premium</u>	<u>Monthly Cost Adjusted to Age 65</u>
Medicare Advantage/Self-Insured Rx	\$683	\$230	\$591
Kaiser Permanente Medicare Advantage HMO	\$596	\$199	\$562

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

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

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

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

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

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

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

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

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

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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 were based on 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 School Division were based upon the unadjusted 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

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 the 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 capital health care costs and their related trend rates are analyzed and updated annually by PERA Board's actuary, as discussed above.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

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

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

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

Sensitivity of the Huerfano School District RE-1 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 381,876	\$ 393,167	\$ 406,246

Discount rate

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, measurement date.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 13 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

- 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 to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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 Huerfano School District RE-1 proportionate share of the net OPEB liability to changes in the discount rate

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

	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Current Discount</u> <u>Rate (7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
Proportionate share of the net OPEB liability	<u>\$ 456,622</u>	<u>\$ 393,167</u>	<u>\$ 338,965</u>

OPEB plan fiduciary net position

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

NOTE 14 – NET POSITION AND FUND BALANCES

Government-wide Net Assets:

Government-wide and proprietary fund net positions are divided into three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consist of net position that is restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 14 – NET POSITION AND FUND BALANCES (Continued)

Governmental Fund Balances

The District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definition.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- Restricted fund balance - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- Committed fund balance - The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Education, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Education.
- Assigned fund balance - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Education or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- Unassigned fund balance - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is District policy to use restricted amounts first. Unrestricted fund balance will be used in the following order; committed, assigned and unassigned.

The specific purposes for each fund balance classification on the balance sheet are detailed in the table below:

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Funds</u>	<u>Total Government Funds</u>
Nonspendable							
Inventory	-	-	-	-	-	11,439	11,439
Prepaid Exp.	42,253	-	-	-	-	-	42,253
Restricted							
Emergencies	194,900	-	-	-	-	-	194,900
Capital	-	-	-	16,931,558	-	-	16,931,558
Debt Service	-	-	1,522,595	-	-	-	1,522,595
Preschool	126,198	-	-	-	-	-	126,198
Committed							
Capital Res.	-	-	-	-	684,644	-	684,644
Assigned							
Pupil Act.	-	-	-	-	-	143,889	143,889
Food Service	-	-	-	-	-	87,728	87,728
Unassigned							
General Govt	2,032,770	(1,846)	-	-	-	-	2,030,924
Total Fund Balances	<u>2,396,121</u>	<u>(1,846)</u>	<u>1,522,595</u>	<u>16,931,558</u>	<u>684,644</u>	<u>243,056</u>	<u>21,776,128</u>

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 15 - COLORADO SCHOOL DISTRICT SELF INSURANCE POOL

The District belongs to the Colorado School District's Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of general liability, errors and omissions, automobile liability, auto physical damage, auto personal injury protection, real and personal property, crime, workers' compensation and other coverage. The Board of Directors is composed of eight persons; seven of whom are appointed by the Board of Directors of CASB and the executive director of CASB. The Pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the aggregate pool claims, the cost of administrative and other operating expenses, the number of participants, the adequacy of both operating and reserve funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as expenditures in the General Fund.

NOTE 16 - JOINT VENTURES

The School District is a participant with other school districts in a joint venture known as South Central Board of Cooperative Educational Services (Cooperative). The Cooperative is organized under provisions of Colorado law to provide special education services to member school districts in the Cooperative's general area. The member school districts provided approximately 7% of the Cooperative's total annual local resources and each member district appoints a member of its Board of Education to serve on the governing body of the Cooperative.

The BOCES is not included as a component unit of the District as the financial responsibility is minimal, there is no financial interdependency, the District does not have the ability to significantly influence the operations of the BOCES and the District is not accountable for fiscal matters of the BOCES. The BOCES is audited annually and a copy of the audit report is filed with the Colorado State Auditor's Office. Complete financial statements for the Cooperative can be obtained from their administrative office at 323 South Purcell Boulevard, Pueblo West, Colorado, 81007.

NOTE 17 – RESTATEMENT OF NET POSITION

Amounts charged to the Gardner Valley Charter School were not included in the government wide financial statements as of June 30, 2021. The following adjustment was required to restate beginning net position:

Government Wide – Statement of Net Position

Net position originally reported on June 30, 2021	\$ 1,207,620
Receivable from Gardner Valley Charter School	<u>90,125</u>
Net position restated at June 30, 2021	<u>\$ 1,297,745</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
HUERFANO SCHOOL DISTRICT RE-1
For the year ended June 30, 2022

	<u>Budgeted Amount</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Local property tax	\$ 2,721,757	\$ 3,041,294	\$ 3,145,883	\$ 104,589
Specific ownership tax	274,798	273,563	290,463	16,900
State sources	3,271,482	3,201,640	3,000,965	(200,675)
Federal sources	-	-	18,305	18,305
Other sources	123,499	147,644	492,621	344,977
Allocation to charter school	(975,805)	(1,015,543)	(728,687)	286,856
Total Revenues	<u>5,415,731</u>	<u>5,648,598</u>	<u>6,219,550</u>	<u>570,952</u>
Expenditures				
Instruction	2,708,123	2,910,511	2,966,387	(55,876)
Indirect Instruction	290,736	334,085	872,072	(537,987)
General administration	960,156	1,018,408	253,170	765,238
Operations and maintenance	677,467	689,782	612,150	77,632
Student transportation	254,746	260,846	321,786	(60,940)
Other support	457,517	475,749	815,120	(339,371)
Contingency	1,618,697	1,976,472	-	1,976,472
Total Expenditures	<u>6,967,442</u>	<u>7,665,853</u>	<u>5,840,685</u>	<u>1,825,168</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(1,551,711)</u>	<u>(2,017,255)</u>	<u>378,865</u>	<u>2,396,120</u>
Other Financing Sources (Uses)				
Transfers to other funds	(264,250)	(364,250)	(364,250)	-
Total Other Financing Sources (Uses)	<u>(264,250)</u>	<u>(364,250)</u>	<u>(364,250)</u>	<u>-</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	<u>(1,815,961)</u>	<u>(2,381,505)</u>	<u>14,615</u>	<u>2,396,120</u>
Fund Balances - July 1	<u>1,815,961</u>	<u>2,381,505</u>	<u>2,381,506</u>	<u>1</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,396,121</u>	<u>\$ 2,396,121</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND
HUERFANO SCHOOL DISTRICT RE-1
June 30, 2022

	<u>Budgeted Amount</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Federal sources	\$ 3,336,221	\$ 3,754,119	\$ 2,747,624	\$ (1,006,495)
State sources	-	-	-	-
Other sources	-	-	-	-
Total Revenues	<u>3,336,221</u>	<u>3,754,119</u>	<u>2,747,624</u>	<u>(1,006,495)</u>
Expenditures				
Instruction	3,194,518	2,481,491	1,779,885	701,606
Indirect instruction	141,703	1,272,628	235,947	1,036,681
General administration	-	-	20,969	(20,969)
Operations and maintenance	-	-	69,292	(69,292)
Student transportation	-	-	81,374	(81,374)
Other support	-	-	562,003	(562,003)
Total Expenditures	<u>3,336,221</u>	<u>3,754,119</u>	<u>2,749,470</u>	<u>1,004,649</u>
Excess of Revenues Over (Under) Expenditures	-	-	(1,846)	(1,846)
Fund Balances - July 1	-	-	-	-
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,846)</u>	<u>\$ (1,846)</u>

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE -
SCHOOL DIVISION TRUST FUND
HUERFANO SCHOOL DISTRICT RE-1
Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Primary Government					
School's proportion (percentage) of the of the net pension liability	0.0698%	0.0680%	0.0629%	0.0687%	0.0687%
School's proportionate share of the net pension liability	\$ 8,127,032	\$ 10,273,117	\$ 9,399,545	\$ 11,326,334	\$ 22,203,031
School's covered payroll	\$ 4,364,527	\$ 3,597,013	\$ 3,837,049	\$ 3,563,334	\$ 3,402,518
School's proportionate share of the net pension liability as a percentage of covered payroll	186.21%	285.60%	244.97%	317.86%	652.55%
Plan fiduciary net position as a percentage of the total pension liability	74.86%	66.99%	64.52%	57.01%	43.96%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Primary Government					
School's proportion (percentage) of the of the net pension liability	0.0632%	0.0648%	0.0693%	0.0711%	
School's proportionate share of the net pension liability	\$ 18,809,938	\$ 9,903,932	\$ 9,393,782	\$ 9,064,806	
School's covered payroll	\$ 2,936,339	\$ 2,825,918	\$ 2,901,147	\$ 2,746,805	
School's proportionate share of the net pension liability as a percentage of covered payroll	640.59%	350.47%	323.80%	330.01%	
Plan fiduciary net position as a percentage of the total pension liability	43.13%	59.16%	62.80%	64.06%	

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

The schedule is presented to show information for ten years.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - SCHOOL DIVISION TRUST FUND

HUERFANO SCHOOL DISTRICT RE-1

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Primary Government					
Statutorily required contributions	\$ 867,668	\$ 715,086	\$ 743,663	\$ 681,666	\$ 642,463
Contributions in relation to the statutorily required contributions	<u>867,668</u>	<u>715,086</u>	<u>743,663</u>	<u>681,666</u>	<u>642,463</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,364,527	\$ 3,597,013	\$ 3,837,049	\$ 3,563,334	\$ 3,402,518
Contribution as a percentage of covered payroll	19.88%	19.88%	19.38%	19.13%	18.88%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Primary Government					
Statutorily required contributions	\$ 537,922	\$ 501,438	\$ 496,814	\$ 448,202	\$ 439,287
Contributions in relation to the statutorily required contributions	<u>537,922</u>	<u>501,438</u>	<u>489,859</u>	<u>439,669</u>	<u>422,197</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,955</u>	<u>\$ 8,533</u>	<u>\$ 17,090</u>
Covered payroll	\$ 2,936,339	\$ 2,825,918	\$ 2,901,147	\$ 2,746,805	\$ 2,799,714
Contribution as a percentage of covered payroll	18.32%	17.74%	16.89%	16.01%	15.08%

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

The schedule is presented to show information for ten years.

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE -
HEALTH CARE TRUST FUND
HUERFANO SCHOOL DISTRICT RE-1
Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Primary Government					
School's proportion (percentage) of the net pension liability	0.0456%	0.3940%	0.0411%	0.0416%	0.0390%
School's proportionate share of the net pension liability	\$ 393,167	\$ 373,919	\$ 462,180	\$ 565,681	\$ 507,023
School's covered payroll	\$ 4,364,527	\$ 3,597,013	\$ 3,837,049	\$ 3,563,334	\$ 3,402,518
School's proportionate share of the net pension liability as a percentage of covered payroll	9.01%	10.40%	12.05%	15.88%	14.90%
Plan fiduciary net position as a percentage of the total pension liability	39.40%	32.78%	24.49%	17.03%	17.53%

	<u>2017</u>
Primary Government	
School's proportion (percentage) of the net pension liability	0.0359%
School's proportionate share of the net pension liability	\$ 465,585
School's covered payroll	\$ 2,936,339
School's proportionate share of the net pension liability as a percentage of covered payroll	15.86%
Plan fiduciary net position as a percentage of the total pension liability	16.71%

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

The schedule is presented to show information for ten years. Until information for the full ten-year period is available, information will be presented for the years it is available.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - HEALTH CARE TRUST FUND

HUERFANO SCHOOL DISTRICT RE-1

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Primary Government					
Statutorily required contributions	\$ 44,518	\$ 36,690	\$ 39,138	\$ 36,346	\$ 34,706
Contributions in relation to the statutorily required contributions	<u>44,518</u>	<u>36,690</u>	<u>39,138</u>	<u>36,346</u>	<u>34,706</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,364,527	\$ 3,597,013	\$ 3,837,049	\$ 3,563,334	\$ 3,402,518
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%
	<u>2017</u>				
Primary Government					
Statutorily required contributions	\$ 29,951				
Contributions in relation to the statutorily required contributions	<u>29,951</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 2,936,339				
Contribution as a percentage of covered payroll	1.02%				

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

The schedule is presented to show information for ten years. Until information for the full ten year period is available, information will be presented for the years it is available.

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
HUERFANO SCHOOL DISTRICT RE-1
June 30, 2022

	<u>Food Service</u> <u>Fund</u>	<u>Pupil</u> <u>Activity</u> <u>Fund</u>	<u>Totals</u>
<u>Assets</u>			
Cash in bank and on hand	\$ 64,228	\$ 153,655	\$ 217,883
Accounts receivable	28,001	1,456	29,457
Due from other funds	2,004	6,052	8,056
Inventories	<u>11,439</u>	<u>-</u>	<u>11,439</u>
Total Assets	<u>105,672</u>	<u>161,163</u>	<u>266,835</u>
<u>Liabilities</u>			
Accounts payable	86	829	915
Due to other funds	121	16,445	16,566
Unearned revenue	<u>6,298</u>	<u>-</u>	<u>6,298</u>
Total Liabilities	<u>6,505</u>	<u>17,274</u>	<u>23,779</u>
<u>Fund Balance</u>			
Nonspendable	11,439	-	11,439
Assigned	<u>87,728</u>	<u>143,889</u>	<u>231,617</u>
Total Fund Balances	<u>\$ 99,167</u>	<u>\$ 143,889</u>	<u>\$ 243,056</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
HUERFANO SCHOOL DISTRICT RE-1
For the year ended June 30, 2022

	<u>Food Service</u> <u>Fund</u>	<u>Pupil</u> <u>Activity</u> <u>Fund</u>	<u>Totals</u>
Revenues			
State sources	\$ 2,467	\$ -	\$ 2,467
Federal sources	329,945	-	329,945
Other sources	<u>16,879</u>	<u>119,376</u>	<u>136,255</u>
Total Revenues	<u>349,291</u>	<u>119,376</u>	<u>468,667</u>
Expenditures			
Direct instruction	-	-	-
Indirect instruction	-	210,676	210,676
Transportation	-	-	-
Custodial and maintenance	-	-	-
Other support services	398,199	-	398,199
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>398,199</u>	<u>210,676</u>	<u>608,875</u>
Excess of Revenues Over (Under) Expenditures	<u>(48,908)</u>	<u>(91,300)</u>	<u>(140,208)</u>
Other Financing Sources (Uses)			
Transfers from other funds	<u>100,000</u>	<u>89,250</u>	<u>189,250</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>89,250</u>	<u>189,250</u>
Net Change in Fund Balance	51,092	(2,050)	49,042
Fund Balances - July 1	<u>48,075</u>	<u>145,939</u>	<u>194,014</u>
Fund Balances - June 30	<u>\$ 99,167</u>	<u>\$ 143,889</u>	<u>\$ 243,056</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

DEBT SERVICE FUND

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2022

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 411,825	\$ 1,297,801	\$ 1,367,130	\$ 69,329
Other sources	65	65	180	115
Total Revenues	<u>411,890</u>	<u>1,297,866</u>	<u>1,367,310</u>	<u>69,444</u>
Expenditures				
Debt service:				
Principal retirement	375,000	375,000	390,000	(15,000)
Interest and fiscal charges	38,025	239,585	228,984	10,601
Contingency	<u>751,928</u>	<u>1,457,550</u>	<u>-</u>	<u>1,457,550</u>
Total Expenditures	<u>1,164,953</u>	<u>2,072,135</u>	<u>618,984</u>	<u>1,453,151</u>
Excess of Revenues Over (Under) Expenditures	<u>(753,063)</u>	<u>(774,269)</u>	<u>748,326</u>	<u>1,522,595</u>
Fund Balances - July 1	<u>753,063</u>	<u>774,269</u>	<u>774,269</u>	<u>-</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,522,595</u>	<u>\$ 1,522,595</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
BUILDING FUND
HUERFANO SCHOOL DISTRICT RE-1
For the year ended June 30, 2022

	<u>Budgeted Amount</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
State sources	\$ -	\$ 20,837,069	\$ 1,404,723	\$ (19,432,346)
Other sources	-	-	18,752	18,752
Total Revenues	-	20,837,069	1,423,475	(19,413,594)
Expenditures				
Capital outlay	-	38,488,660	2,035,831	36,452,829
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Debt issuance costs	-	-	107,677	(107,677)
Contingency	-	-	-	-
Total Expenditures	-	38,488,660	2,143,508	36,345,152
Excess of Revenues Over				
(Under) Expenditures	-	(17,651,591)	(720,033)	16,931,558
Other Financing Sources (Uses)				
Bond proceeds	-	16,396,581	16,396,581	-
Premium on issuance	-	1,255,010	1,255,010	-
Total Other Financing Sources	-	17,651,591	17,651,591	-
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	-	-	16,931,558	16,931,558
Fund Balances - July 1	-	-	-	-
Fund Balances - June 30	\$ -	\$ -	\$ 16,931,558	\$ 16,931,558

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

CAPITAL RESERVE FUND

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2022

	<u>Budgeted Amount</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Local sources	\$ 650	\$ 100	\$ 786	\$ 686
Other	-	-	-	-
Total Revenues	<u>650</u>	<u>100</u>	<u>786</u>	<u>686</u>
Expenditures				
Purchased services	50	50	-	50
Supplies	10,000	10,000	7,336	2,664
Capital outlay	129,245	129,245	49,900	79,345
Contingency	387,942	601,899	-	601,899
Total Expenditures	<u>527,237</u>	<u>741,194</u>	<u>57,236</u>	<u>683,958</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(526,587)</u>	<u>(741,094)</u>	<u>(56,450)</u>	<u>684,644</u>
Other Financing Sources (Uses)				
Transfers from other funds	<u>75,000</u>	<u>175,000</u>	<u>175,000</u>	<u>-</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	<u>(451,587)</u>	<u>(566,094)</u>	<u>118,550</u>	<u>684,644</u>
Fund Balances - July 1	<u>451,587</u>	<u>566,094</u>	<u>566,094</u>	<u>-</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 684,644</u>	<u>\$ 684,644</u>

STATEMENT OF REVENUES EXPENSES AND CHANGE IN NET ASSETS

BUDGET AND ACTUAL (BUDGET BASIS)

PUPIL ACTIVITY FUND

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2022

	<u>Budgeted Amount</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Local sources	<u>70,000</u>	<u>107,000</u>	<u>119,376</u>	<u>12,376</u>
Total Revenues	<u>70,000</u>	<u>107,000</u>	<u>119,376</u>	<u>12,376</u>
Expenditures				
Salaries	53,000	53,000	64,154	(11,154)
Fringe benefits	11,846	11,845	13,773	(1,928)
Purchased services	31,668	34,418	47,455	(13,037)
Supplies	97,769	100,846	77,067	23,779
Capital outlay	-	5,000	-	5,000
Other	6,164	7,364	8,226	(862)
Contingency	<u>109,789</u>	<u>129,716</u>	<u>-</u>	<u>129,716</u>
Total Expenditures	<u>310,236</u>	<u>342,189</u>	<u>210,675</u>	<u>131,514</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(240,236)</u>	<u>(235,189)</u>	<u>(91,299)</u>	<u>143,890</u>
Other Financing Sources (Uses)				
Transfers from other funds	<u>89,250</u>	<u>89,250</u>	<u>89,250</u>	<u>-</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	<u>(150,986)</u>	<u>(145,939)</u>	<u>(2,049)</u>	<u>143,890</u>
Fund Balances - July 1	<u>150,986</u>	<u>145,939</u>	<u>145,939</u>	<u>-</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,890</u>	<u>\$ 143,890</u>

STATEMENT OF REVENUES EXPENSES AND CHANGE IN NET ASSETS

BUDGET AND ACTUAL (BUDGET BASIS)

FOOD SERVICE FUND

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2022

	<u>Budgeted Amount</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Federal sources	\$ 279,500	\$ 312,500	\$ 329,945	\$ 17,445
State sources	2,400	2,467	2,467	-
Local sources	18,400	7,051	16,879	9,828
Total Revenues	<u>300,300</u>	<u>322,018</u>	<u>349,291</u>	<u>27,273</u>
Expenditures				
Salaries	179,996	181,646	172,424	9,222
Fringe benefits	74,417	85,479	74,460	11,019
Purchased services	1,950	1,950	1,161	789
Supplies	153,500	156,250	150,154	6,096
Capital outlay	5,000	5,000	-	5,000
Contingency	9,540	39,768	-	39,768
Total Expenditures	<u>424,403</u>	<u>470,093</u>	<u>398,199</u>	<u>71,894</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(124,103)</u>	<u>(148,075)</u>	<u>(48,908)</u>	<u>99,167</u>
Other Financing Sources (Uses)				
Transfers from other funds	100,000	100,000	100,000	-
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	<u>(24,103)</u>	<u>(48,075)</u>	<u>51,092</u>	<u>99,167</u>
Fund Balances - July 1	<u>24,103</u>	<u>48,075</u>	<u>48,075</u>	<u>-</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,167</u>	<u>\$ 99,167</u>

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2022

	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed Through Colorado Department of Education			
School Breakfast Program	10.553	4553	\$ 47,810
National School Lunch Program	10.555	4555, 5555, 6555	257,699
Total Passed Through Colorado Department of Education			<u>305,509</u>
 Passed Through Colorado Department of Human Services			
National School Lunch Program-Commodities	10.555	4555	<u>24,436</u>
Total U.S. Department of Agriculture			<u>329,945</u>
<u>U.S. Department of Education</u>			
Passed Through Colorado Department of Education			
Title 1 - Grants to Local Educational Agencies	84.010	4010	321,177
Colorado Charter Schools - Program & Grant	84.282A	5282	212,767
Twenty-First Century Community Learning Centers	84.287C	6287	122,089
Rural Education and Achievement Program	84.358B	6358	3,700
Improving Teacher Quality State Grants	84.367	4367	42,916
Student Support and Academic Enrichment Program	84.424	4424	12,193
Elementary & Secondary School Emergency Relief Fund	84.425D	4420, 4425, 5425	602,443
American Rescue Plan - Elementary & Secondary School Emergency Relief Fund	84.425U	4414, 9414, 4434	<u>1,428,097</u>
Total Passed Through Colorado Department of Education			<u>2,745,382</u>
 Passed Through Colorado Community College System			
Career and Technical Education - Basic Grants to States	84.048	4048	<u>842</u>
Total U.S. Department of Education			<u>2,746,224</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Colorado Department of Education			
Improving Student Health & Academic through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981	7981	<u>1,244</u>
 Passed Through Colorado Office of Early Childhood			
Child Care and Development Block Grant	93.575	7575	<u>18,305</u>
Total U.S. Department of Health and Human Services			<u>19,549</u>
Total Federal Assistance			<u>\$ 3,095,718</u>

The accompanying notes are an integral part of this schedule.

HUERFANO SCHOOL DISTRICT RE-1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Huerfano School District RE-1 under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance and /or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COSTS

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

NOTE 4 – RISK BASED AUDIT APPROACH

The dollar threshold used to distinguish between Type A and Type B programs is \$750,000. The District does not qualify as a low-risk auditee.

NOTE 5 - FOOD DISTRIBUTION

Commodities donated to the District by the U.S. Department of Agriculture (USDA) of \$24,436 are valued based on the USDA's Donated Commodity Price List.

NOTE 6 - SUBRECIPIENTS

No payments were made to subrecipients in the fiscal year ended June 30, 2022.

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

INDEPENDENT AUDITOR'S REPORT

February 27, 2023

Board of Education
Huerfano School District RE-1
Walsenburg, Colorado 81089

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huerfano School District RE-1 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 27, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Huerfano School District RE-1's Response to Findings

The School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of this Report

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

Darren Ross & Delgado, Inc.

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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Report on Compliance for Each major Program and on Internal Control Over Compliance Required by the Uniform Guidance

INDEPENDENT AUDITOR'S REPORT

February 27, 2023

Board of Education
Huerfano School District RE-1
Walsenburg, Colorado 81089

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Huerfano School District RE-1's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion of the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Arrun, Ross & DeNardo, Inc.

HUERFANO SCHOOL DISTRICT RE-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ yes ☐ no

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ yes ☐ no

Type of auditor's report issued on compliance for major programs: Unmodified

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

The programs tested as major programs were:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D	Elementary & Secondary School Emergency Relief Fund
84.425U	Elementary & Secondary School Emergency Relief Fund

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

Auditee qualified as low-risk auditee? ☐ yes ☒ no

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

2022-001 Reconciliation of Key Accounts

Condition and Context:

Balances carried over from the prior fiscal year for accrued and deferred revenues, accounts payable, and accrued salaries were not adjusted during the current fiscal year.

Criteria:

The balances should have been adjusted and or reversed in the current fiscal year as those transactions took place.

Cause:

The control in place was not followed.

Effect:

Balances on budgetary comparisons were inaccurate as well as grant requests and submissions were inaccurate.

HUERFANO SCHOOL DISTRICT RE-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2022-001 Reconciliation of Key Accounts (Continued)

Recommendation:

Reconcile key accounts on a monthly basis and investigate and correct any discrepancies.

Response:

The School District will review their current procedures along with this recommendation.

2022-002 Reimbursement claim forms/reports

Condition and Context:

Reimbursement claim form/reports submitted to CDE or other granting/oversight agencies should be reconciled to the detailed transactions recorded in the general ledger prior to submitting such forms. The Business Manager should verify their records and any variances should be investigated and corrected on a timely basis.

Criteria:

The reimbursement forms should be reconciled to the detailed transactions recorded in the general ledger. The information reported on the reimbursement forms should be reviewed and verified for accuracy.

Cause:

The controls in place were not followed at times and the underlying expenditures requested for reimbursement were not reconciled to the general ledger.

Effect:

The reimbursement claims could be incorrect if controls that are in place are not followed.

Recommendation:

Reimbursement claim forms/reports submitted for government grants should be reconciled to the detailed transactions recorded in the general ledger prior to submitting such claims. The claims also need to be traced to receipt.

Response:

The School District will review their current procedures along with this recommendation.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV - PRIOR YEAR FINDINGS

None.

FINDINGS - FEDERAL AWARDS

None.

RECONCILIATION OF AUDITOR'S ELECTRONIC FINANCIAL DATA INTEGRITY
CHECK FIGURES TO GOVERNMENTAL FUND FINANCIAL STATEMENTS

HUERFANO SCHOOL DISTRICT RE-1

For the year ended June 30, 2022

	<u>Balance Per CDE</u>	<u>Unexplained Variance by Charter School</u>	<u>Rounding</u>	<u>Balance Per Governmental Fund Financial Statements</u>
<u>Gardner Valley School / Component Unit</u>				
Beginning fund balance / Net position	\$ 107,271	\$ 25,893	-	\$ 133,164
Revenues	1,489,226	-	1	1,489,227
Expenditures	1,301,638	25,899		1,327,537
Ending fund balance	294,859	-	(5)	294,854
<u>General Fund/Preschool Fund</u>				
Ending fund balance	2,396,120	-	1	2,396,121
<u>Bond Redemption Fund</u>				
Expenditures	618,983	-	1	618,984
Ending fund balance	1,522,596	-	(1)	1,522,595

The accompanying notes are an integral part of this schedule.

RECONCILIATION OF AUDITOR'S ELECTRONIC FINANCIAL DATA INTEGRITY
CHECK FIGURES TO GOVERNMENTAL FUND FINANCIAL STATEMENTS
 HUERFANO SCHOOL DISTRICT RE-1
 For the year ended June 30, 2022

	<u>Balance Per CDE</u>	<u>Rounding</u>	<u>Reclassification of Fund Balance on Balance Sheet</u>	<u>Item Reclassification on Balance Sheet</u>	<u>Balance per Governmental Fund Financial Statements</u>
Bolded Balance Sheet Report					
General Fund/Preschool Fund					
Cash and investments	\$ 2,319,113	\$ 1	\$ -	\$ -	\$ 2,319,114
Other receivables	76,581	-	-	240	76,821
Total assets	3,133,321	2	-	240	3,133,563
Intergovernment Payable	(240)	-	-	240	-
Total liabilities and deferred inflow	737,201	1	-	240	737,442
Nonspendable fund balance	-	-	42,253	-	42,253
Tabor 3% Emergency Reserve	-	-	194,900	-	194,900
Assigned fund balance	-	-	-	-	-
Unassigned fund balance	2,269,922	1	(237,153)	-	2,032,770
Total liabilities and fund equity	3,133,321	2	-	240	3,133,563
Special Revenue Funds					
Other payables	171,423	-	-	(58)	171,365
Grants deferred revenue	5,568	1	-	58	5,627
Total liabilities	685,584	1	-	-	685,585
Committed fund balance	(1,452)	-	1,452	-	-
Assigned fund balance	143,496	-	393	-	143,889
Unassigned fund balance	-	-	(1,846)	-	(1,846)
Debt Service Fund					
Deferred inflow	39,999	1	-	-	40,000
Restricted fund balance	1,522,596	(1)	-	-	1,522,595
Food Service Fund					
Assigned fund balance	87,729	(1)	-	-	87,728
Capital Projects Funds					
Cash and investments	8,853,629	(1)	-	8,886,767	17,740,395
Cash with fiscal agent	8,886,767	-	-	(8,886,767)	-
Total assets	18,120,374	(1)	-	-	18,120,373
Total fund equity	17,616,203	(1)	-	-	17,616,202
Total liabilities and fund equity	18,120,374	(1)	-	-	18,120,373
Charter School / Component Unit					
Intergovernmental accountns receivable	837	-	-	(837)	-
Grants accounts receivable	169,571	-	-	(168,734)	837
Other receivables	-	1	-	169,571	169,572
Total assets	470,882	1	-	-	470,883
Other payables	118,829	5	-	-	118,834
Accrued expenses	38,962	-	-	4,619	43,581
Payroll deductions and withholdings	4,619	-	-	(4,619)	-
Total Liabilities	176,023	6	-	-	176,029
Unassigned fund balance	247,249	(5)	-	-	247,244
Total liabilities and fund equity	470,882	1	-	-	470,883

The accompanying notes are an integral part of this schedule.

**COLORADO SCHOOL DISTRICT AUDITOR'S ELECTRONIC
FINANCIAL DATA INTEGRITY CHECK FIGURES**

HUERFANO SCHOOL DISTRICT RE-1
For the year ended June 30, 2022

	<u>Balance Per CDE</u>	<u>Balance Per District</u>	<u>Variance</u>	<u>Explanation</u>
Warnings				
Sources 1954, 3954, 4954 out of balance with sources 0594-0595				Net difference is a result of classification errors with the Charter School.
Fund 11 - Fund Balance				
Formula driven beginning fund balance	\$ 107,270.86			
Previous years ending fund balance	\$ 133,163.86		\$ (25,893.00)	Unexplained difference with the Charter School
Capital Construction-Charter				
Grant Code: 3113				
Receipts	\$ 10,122.80	\$ 10,431.76	\$ (308.96)	837.03 - Receivable at June 30, 2022 (1,145.99) - Receivable at June 30, 2021
School Counselor Grant				
Grant Code: 3192				
Receipts	\$ 211,500.00	\$ 213,501.40	\$ (2,001.40)	Deferred Revenue at June 30, 2022-Charter School
Title I				
Grant Code: 4010				
Receipts	\$ 247,090.23	\$ 233,564.71	\$ 13,525.52	5,341.36 - Receivable at June 30, 2022-Charter School (18,866.88) - Receivable at June 30, 2021-Charter School
Title II				
Grant Code: 4367				
Receipts	\$ 49,008.01	\$ 48,246.09	\$ 761.92	5,660.76 - Receivable at June 30, 2022-Charter School (6,422.68) - Receivable at June 30, 2021-Charter School
ARP ESSER III				
Grant Code: 4414				
Receipts	\$ 1,350,990.47	\$ 1,335,629.96	\$ 15,360.51	Receivable at June 30, 2022
ESSER II				
Grant Code: 4420				
Receipts	\$ 642,317.39	\$ 615,465.78	\$ 26,851.61	Receivable at June 30, 2022
Title IV-A				
Grant Code: 4424				
Receipts	\$ 7,479.87	\$ 5,211.91	\$ 2,267.96	2,810.35 - Receivable at June 30, 2022 (1,225.32) - Receivable at June 30, 2021 682.93 - Correction to Receivable at June 30, 2021
Title V - B				
Grant Code: 5282				
Receipts	\$ 219,256.75	\$ 289,284.20	\$ (70,027.45)	96,750.77 - Receivable at June 30, 2022 duplicated on District and Charter (135,009.11) - Receivable at June 30, 2021 duplicated on District and Charter (31,519.76) - Payable to Charter at June 30, 2021 (249.35) - Unexplained difference
Twenty-First Century Community Learning				
Grant Code: 6287				
Receipts	\$ 99,292.32	\$ 92,915.45	\$ 6,376.87	(1,946.66) - CDE receipt dated June 30, 2021, District receipted July-2021 8,323.53 - CDE receipt dated June 30, 2022, District receipted July-2022
Title V-B, Rural and Low Income Schools				
Grant Code: 6358				
Receipts	\$ 2,450.00	\$ 1,200.00	\$ 1,250.00	1,700.00 - Receivable at June 30, 2022 (450.00) - Receivable at June 30, 2021
Improving Student Health & Academic Achievement				
Grant Code: 7981				
Receipts	\$ 1,243.94	\$ -	\$ 1,243.94	Receivable at June 30, 2022

The accompanying notes are an integral part of this schedule.