

PUEBLO COUNTY SCHOOL DISTRICT NO. 70
PUEBLO, 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 21, 2023

Board of Education
Pueblo County School District No. 70
Pueblo, Colorado

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 Pueblo County School District No. 70 (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 Pueblo County School District No. 70, 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 the Swallows Charter Academy, a discretely presented component unit of the District, which represents 57%, 58% and 53%, respectively, of the assets, fund balances, and revenues of the aggregate discretely presented component units as of June 30, 2022, and the respective changes in financial position, for the year then ended. 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 Swallows Charter Academy, 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 Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and GASB required pension and OPEB information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, budgetary comparisons for nonmajor funds, the combining component unit financial statements, the Colorado Department of Education Auditor's Electronic Financial Data Check Figures Report, Schedule of Fiscal Year Spending Computations Pursuant to Article X Section 20 and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were 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 and schedules, the combining component unit financial statements, the Colorado Department of Education Auditor's Electronic Data Check Figures, the Schedule of Fiscal Year Spending Computations Pursuant to Article X Section 20, 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 21, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Garrett, Ross & DeNardo, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
Pueblo County School District No. 70
Pueblo County, Colorado
June 30, 2022

As management of the Pueblo County School District No. 70, Pueblo County, Colorado (the District), we offer readers of the District's financial statements this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements, which immediately follow this section.

Financial Highlights

- Since July 1, 2014, the District has been required to apply the Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68). The GASB pronouncement is discussed in more detail under Accounting Pronouncements on page iii.
- GASB 68 revises and establishes financial reporting requirements for governments that provide their employees with pension benefits. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by the Public Employees' Retirement Association of Colorado (PERA).
- Among other requirements, the District is now required to report its proportionate share of the total PERA Net Pension Liability (NPL) in its government-wide financial statements. The District's share of the PERA NPL is \$90.8 million as of June 30, 2022. Inclusion of this figure in the government-wide financial statements does not indicate that the District has a liability to pay the amount shown. The District's liability is limited to the annually required contributions established by the State Legislature.
- Fund level statements, including the General Fund statements, are not impacted by GASB 68 reporting.
- Due to the effect of GASB 68, the District has a negative net position. The governmental liabilities and deferred inflows of resources exceed its assets and deferred outflows of resources by \$65.7 million.
- The net position of the District includes \$51.1 million invested in capital assets, net of related debt; \$17.03 million restricted for debt service payments; \$2.64 million restricted for emergencies, as defined under the Taxpayer Bill of Rights; \$100K restricted for grants; and an unrestricted net position balance of negative (\$192.8) million. The unrestricted balance is negative due to the effects of GASB 68. The unrestricted balance is also different than what would be reflected on a governmental fund accounting basis due to the accounting treatment in the government-wide statements of compensated absences payable.
- The total net position of the District increased by \$43,393,601 for the year ended June 30, 2022, primarily due to the accounting treatment of the Net Pension Liability.

- Fund balance of the District's governmental funds decreased by \$10,600,559 resulting in an ending fund balance of \$96,865,044. This decrease was due primarily to the spenddown of funds provided by General Obligation Bonds by the District in 2021-22.
- During the current fiscal year, the fund balance in the District's General Fund (including the Capital Reserve) increased by \$4,505,565 from \$14,856,507 to \$19,362,072. This was primarily due to continuing expense controls implemented by the District.
- The District's long-term obligations decreased by \$5,106,285 to \$167,315,564. Current year principal payments on existing General Obligation debt totaled \$4,305,000.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (MD&A), the basic financial statements, and supplementary information. The MD&A provides an analysis of the District's overall financial position and results of the previous year's operations to assist the users of financial statements to assess whether the government's finances have improved or deteriorated. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services, such as instruction, were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationship in which the District acts solely as a trustee or agent for the benefit of others.

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 with a comparison of the District's budget for the year.

Government-wide Financial Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. 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 two Government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. Implementation of GASB 68, however, has a significant impact on the Net Position and should be taken into consideration in evaluating the District's financial health.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as instruction, transportation, custodial and maintenance, other support services, and administration. The School Finance Act of 1994, as amended, made up of property taxes and state equalization, finances most of these activities.
- *Component Units:* The District has three separate charter schools, Swallows Charter Academy, Villa Bella Expeditionary and Connect School. These component units are important because the District is financially accountable for them.

Accounting Pronouncements

PERA adopted GASB No. 67, *Financial Reporting for Pension Plans* (GASB 67), effective for the year ending December 31, 2014. GASB 67 establishes a shift in financial disclosure requirements from a funding-based approach to an accounting-based approach. The actuarial valuation for accounting purposes emphasizes the obligation an employer incurs to employees through the employment-exchange process. The primary purpose of the valuation for accounting purposes is to provide a consistent, standardized methodology that allows comparability of amounts and increased transparency of the pension liability. GASB 67 requires a different approach for determining the Net Pension Liability ("NPL") as opposed to the previously disclosed Unfunded Accrued Actuarial Liability ("UAAL").

Actuarially Determined Contributions ("ADC") have replaced Annual Required Contributions ("ARC") as the gauge of the adequacy of the State's statutory contribution rates. GASB 67 requires the disclosure of the amount of contributions, the ADC amount and the difference between those amounts. The ADC is calculated using the investment rate of return and discount rate assumptions according to the PERA Board's Funding Policy (currently 7.25%). An ADC deficiency arises when contributions are less than the ADC.

The District has no legal obligation to fund PERA's UAAL or ADC, nor does it have any ability to affect funding, benefits or annual required contribution decisions made by PERA in administering the defined benefit pension plan.

Effective with Fiscal Year 2014-2015, the District was required to apply GASB 68. GASB 68 significantly changed pension accounting and financial reporting by requiring an NPL on the Statement of Net Position. Historically, an unfunded pension obligation for employers in a cost-sharing plan, such as PERA, was considered to be a liability to be reported in future periods. Information about the total liability, unfunded and funded, was disclosed only in the notes to the financial statements and as required supplemental information. Financial statements now reflect an NPL based on a model similar to single employer plans.

The current period pension expense primarily results from changes in the components of the NPL. NPL is computed as the difference between the employer's obligation to provide pension benefits earned and funding of those benefits (the plan assets being held in trust); pension amounts earned by current and former employees for past services are recorded as a liability in current statements, not in future statements. Most causes of change in the NPL are included in pension expense immediately. Changes resulting from certain causes are introduced into pension expense over multiple periods. See Note 12 on pages 24-29 in the Notes to Basic Financial Statements for the full disclosure related to PERA.

Fund Financial Statements

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

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

The District has two kinds of funds, as described below.

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. Governmental fund types used by the District include the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Funds.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. An *enterprise fund* (one type of proprietary fund) statement is the same as a business-type activity statement but provides more detail and additional information such as cash flows. The Food Service Fund is no longer treated as a proprietary fund. *Internal service funds* (the other kind of proprietary funds) are used to report activities that provide supplies and services for its other programs and activities.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 10-38 of this report.

District-wide Financial Analysis

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories, accrued revenue, and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax collection process; the District receives approximately 62.6% of the annual property tax assessment in April, May and June.

Capital assets are used in the operations of the District. These assets are land, improvements, buildings, equipment and vehicles. Capital assets are discussed in greater detail in the section titled, Capital assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets, or new resources that become available during Fiscal 2023. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after Fiscal 2023.

The liabilities of the District activities exceed assets by \$65,708,138 and the unrestricted net position is negative (\$192,847,710). This negative net position is due to the implementation of GASB 68, as discussed earlier, which increased Liabilities with the inclusion of the Net Pension Liability of (\$90,837,436). Measures continue to be successfully implemented by the District to eliminate the negative unrestricted balance (net of the Pension Liability) which existed at June 30, 2014 and to maintain a positive unrestricted balance, net of the Pension Liability.

The District has a net investment of \$51,087,279 in land, improvements, building, equipment, and vehicles, net of related debt, which provide the services to the District's 10,629 public school students. Net position of \$17,026,477 accumulated due to voter approved bonded debt mill levy assessments, has been restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The legally required TABOR reserves have also been restricted in the amount of \$2,637,600.

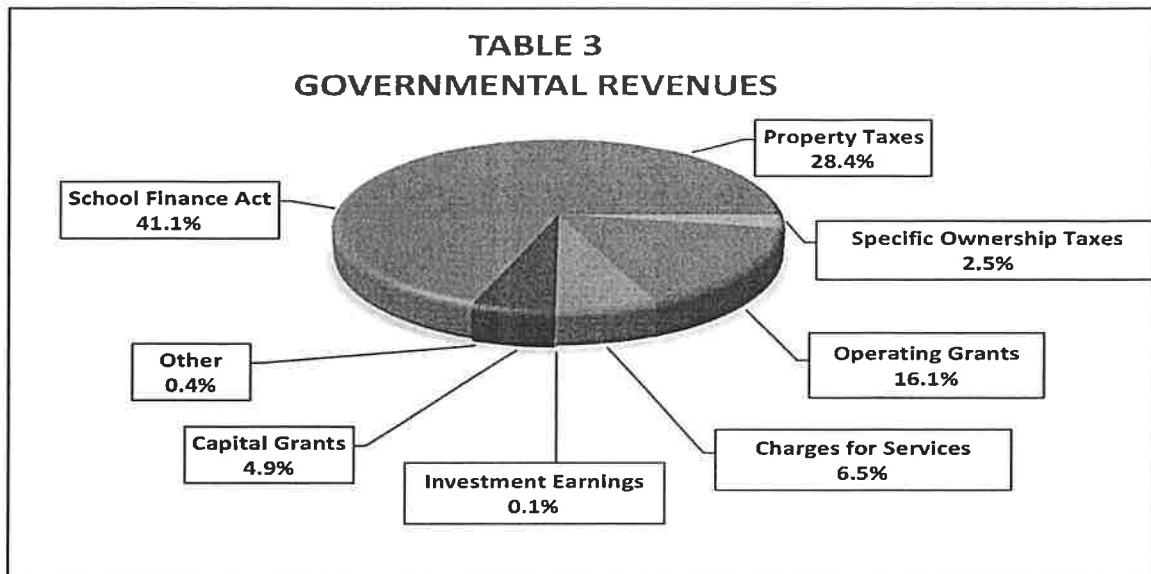
Table 1 provides a condensed summary of the District's net position for 2022 compared to 2021:

Table 1 Comparative Statement of Net Position As of June 30, 2022		
	2022	2021
Assets		
Current and Other Assets	118,426,181	122,469,636
Capital Assets	147,671,932	131,637,583
Total Assets	266,098,113	254,107,219
Liabilities		
Current Liabilities	27,498,271	20,924,015
Non-Current Liabilities	257,352,093	302,317,625
Total Liabilities	284,850,364	323,241,640
Deferred Inflow/Outflow of Resources		
Deferred Outflow	22,306,213	56,423,700
Deferred Inflow	71,460,585	94,391,018
Net Position		
Invested in Capital Assets, Net of Related Debt	51,087,279	44,118,022
Restricted	76,052,293	91,810,115
Unrestricted	(192,847,710)	(243,029,876)
Total Net Position	(65,708,138)	(107,101,739)
See PERA Discussion on page 6 for explanation of "Unrestricted" Change		

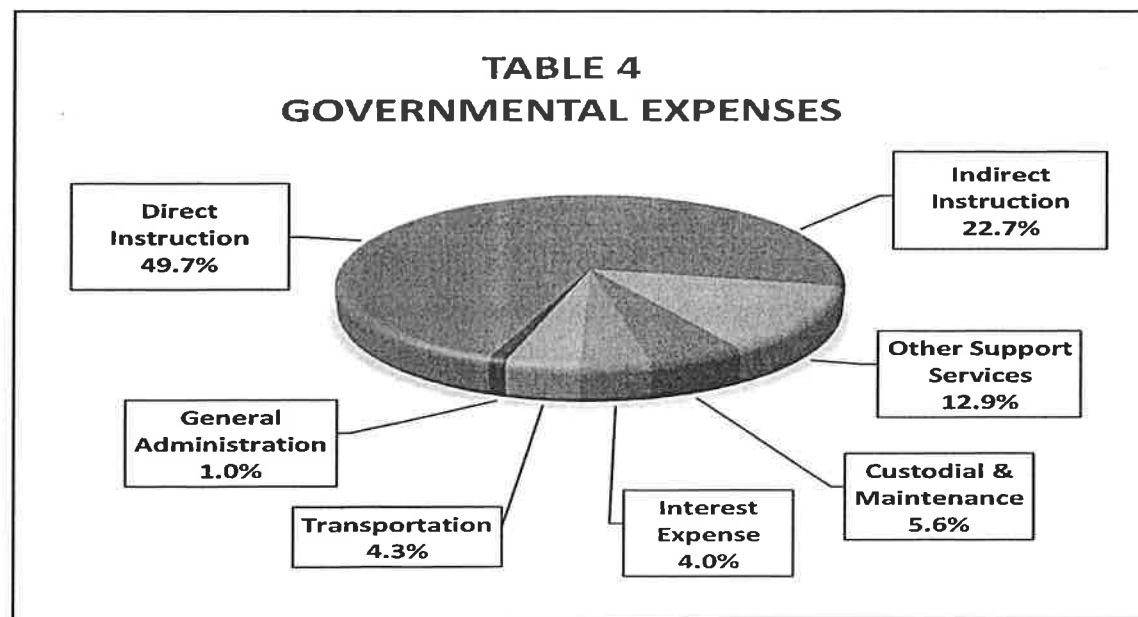
Table 2 shows the changes in net position for fiscal year 2022 compared to 2021:

Table 2 Changes in Net Position As of June 30, 2022		
	2022	2021
Revenues		
Program Revenues:		
Charges for Services	7,899,510	5,830,316
Operating Grants & Contributions	19,675,562	15,898,422
Capital Grants and Contributions	6,040,223	2,515,999
General Revenues:		
Taxes:		
Local Property Taxes	34,652,511	30,480,685
Specific Ownership Taxes	3,091,500	2,942,573
School Finance Act	50,137,021	46,676,609
Earnings on Investments	98,721	30,400
Other	509,285	83,313
Total Revenues	122,104,333	104,458,317
Expenses		
Governmental Activities:		
Direct Instruction	40,086,725	33,952,831
Indirect Instruction	18,281,015	11,449,373
Transportation	3,458,893	2,578,562
Custodial and Maintenance	4,480,680	4,575,322
Other Support Services	10,397,979	13,578,143
General Administration	816,510	571,418
Interest Expense-Unallocated	3,188,930	2,772,236
Total Expenses	80,710,732	69,477,885
Change in Net Position	41,393,601	34,980,432
Net Position - July 1	(107,101,739)	(142,082,171)
Net Position - June 30	(65,708,138)	(107,101,739)

As shown in **Table 3** below, State equalization and taxes (Property Taxes and Specific Ownership Taxes) accounted for most of the District's total revenue. As shown in the graph below, State Equalization (School Finance Act) contributed 41.1% of total revenues, while Property Taxes and Specific Ownership Taxes contributed 30.9% of every dollar raised. Another 21.0% came from state and federal grants for specific programs and the remaining 7.0% from fees charged for services, investment earnings and miscellaneous sources. As a percentage of total revenue, the State Equalization component and property taxes changed slightly from the prior year. These amounts are determined annually by the state in accordance with the School Finance Act.



As shown in **Table 4** below, a total of 72.4% of the District's expenses are related to instructing and caring for (pupil services) students. This is a increase from 64.7% in the prior year. Transportation accounts for 4.3% of District expenses, which is higher than many other districts. The District's administrative expenses accounted for only 1.0% of total costs.



Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received_ \$8,520 per funded student in FY 2021-22. This is up \$941 from \$7,579 per funded student in FY 2020-21. In Fiscal Year 2021-22 the funded pupil count was 10,100. This is a decrease of 65 from the prior year. For the 2021-22 fiscal year the District continued to be one of the lowest funded districts in the state. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The District receives approximately 41.1% of SFA funding from state equalization while the remaining amounts come from property taxes and specific ownership taxes. The District's assessed valuation generated \$34,288,511 in total property taxes (for both operations and bond redemption payments) in fiscal year 2021-22. Due to a projected increase in the District's assessed valuation for collection in fiscal year 2022-23, this is expected to again increase in the 2022-23 fiscal year.

The District sets the bond mill rate annually in an amount sufficient to make the annual debt service payment. As a result of significant enrollment growth, the District has requested and received voter approval for bond issues in 1994, 1995, 1999, 2002, 2012, and 2020. Accordingly, the bond redemption mill levy increased from 12.925 mills in fiscal year 1996 to 21.964 mills in fiscal year 2005. Subsequently, however, due primarily to growth and the corresponding increase in assessed valuation, the District has experienced a decrease in the bond redemption mill levy. For fiscal year 2022-23, the bond redemption mill levy is 12.963 mills.

Financial Analysis of the District's Funds

Detailed information about the District's major funds starts on page 6. These funds are accounted for using the modified accrual basis of accounting. For FY 2021-22, all government funds had total revenues, including other financing sources, of \$126,338,847 and expenditures of \$136,939,406. The Debt Service Fund experienced a increase in fund balance, increasing by \$3,223,935. The General Fund change in fund balance, after considering Capital Leases and Transfers, was an increase of \$4,505,565.

General Fund Budgetary Highlights.

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

The District budgets adequate resources to sustain programs designed to ensure that every child has a high quality educational experience. In recent years, state funding reductions and School Finance rescissions has created significant challenges as the District seeks to align resources with the educational goals of the District.

Capital Assets and Debt Administration

By the end of Fiscal 2022, the District had invested \$245,033,561 in land, buildings, Construction in Progress, equipment and transportation vehicles. As shown in Table 5 below, this is a 8.81% increase in Fiscal 2022 compared to 2021.

Table 5			
Capital Assets at June 30, 2022 and 2021			
	Governmental Activities		Total Percentage Change
	2022	2021	2021-2022
Land	659,080	659,080	0.00%
Construction in Progress	25,815,852	5,152,667	401.02%
Building & Improvements	201,862,626	201,443,980	0.21%
Furniture & Fixtures	12,527,436	14,737,157	-14.99%
Automotive Equipment	3,656,909	2,890,386	26.52%
Leased Assets	511,658	319,082	60.35%
Total Capital Assets	245,033,561	225,202,352	8.81%

Long-term Debt.

At June 30, 2022, the District had total bonded debt outstanding of \$128,385,000 backed by the full faith and credit of the District. Additionally, the District has long-term debt obligations for leases, notes and other obligations in the amount of \$13,623,19 outstanding at the end of the current fiscal year. This is a decrease of \$212,817 from the end of the prior year. Energy efficiencies undertaken by the District in recent years comprise a significant portion of the lease obligations.

The net total District General Obligation Bonds outstanding- decreased by \$4,305,000 during the fiscal year as a result of District bond principal payments. No new General Obligation Bonds were issued by the District.

One of the District bond ratings did change in the 2021. Upon the issuance of the Series 2021 bonds, Moody's Investors Service increased the District's bond rating from "A2" to "A1". The Standard & Poor's Corporation continued to maintain an "A" rating for the District.

State statutes limit the amount of General Obligation debt that the District may issue. At the end of fiscal year 2021-22 the District had \$40.6 million of unused bond capacity. Additional increases in Assessed Valuation, combined with the scheduled payment of principal, is projected to free up more capacity in the ensuing fiscal years, thus providing the needed capacity for future bond issues to be presented to the voters should the need arise. The amount and timing of additional debt issuance in the future, subject to statutory debt limitations and voter approval, will depend on the rate of enrollment growth, capital needs, assessed valuation growth, and the continuing repayment of existing debt.

Additional information on the District's long-term obligations can be found in Notes 9 & 10 -on pages 20-23 of this report.

Economic Factors and Next Year's Budget and Rates

In November, 2000, the voters of Colorado passed a statewide ballot issue to amend the State Constitution, Amendment 23. This amendment required that the state fund public education at a minimum of growth of inflation plus one percent for the next ten years beginning with fiscal year 2001-2002 and thereafter at inflation.

- For calendar year 2020, the inflation rate was 1.23%. Accordingly, in accordance with Amendment 23, the District should have received additional funding of 1.23% for the 2021-22 school year. Because of the State financial crisis in the 2008 - 2012 timeframe, the District has experienced, and continues to experience, a severe shortfall in funding compared with the amounts contemplated under Amendment 23. Thus, because of adjustments, the actual change was a decrease for the 2021-22 school year of -4.69%. Adjustments continue to be made to the funding formula. Nevertheless, the District continues to receive per pupil revenue well below the Amendment 23 formula amounts, thus causing continued financial strain on the District.

The District is committed to an ongoing review of its programs and services for both effectiveness and efficiency. To accomplish this, the District examines how to best provide essential services on a cost-effective basis and to re-direct resources to the schools.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Pueblo County School District No. 70
Office of the Director of Business Services
24951 Highway 50 East
Pueblo, Colorado 81006

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

STATEMENT OF NET POSITION
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2022

	Primary Government	Component Units
	Governmental Activities	Charter Schools
<u>Assets</u>		
Cash and investments - unrestricted	\$ 46,128,417	\$ 4,632,387
Receivables	7,452,966	2,222,291
Restricted cash and investments	63,876,672	1,172,256
Assets held by the primary government	-	363,394
Inventories	163,590	-
Prepaid expenses	804,536	24,801
Capital Assets		
Non-depreciable	26,474,932	655,637
Depreciable - net	121,197,000	17,453,681
Total Assets	266,098,113	26,524,447
<u>Deferred Outflow of Resources</u>		
Related to refunding	3,665,455	-
Related to OPEB	342,369	86,334
Related to pensions	18,298,389	4,547,482
Total Deferred Outflows of Resources	22,306,213	4,633,816
<u>Liabilities</u>		
Accounts payable and accrued liabilities	9,577,026	253,153
Retainage payable	-	54,255
Accrued salaries	8,125,296	625,825
Due to component unit	1,989,045	127,908
Unearned revenue	497,660	5,372
Long- Term Liabilities		
Due within one year	6,769,058	521,159
Due in more than one year	160,546,506	17,501,512
Net OPEB liability	4,309,852	443,990
Net pension liability	90,837,436	9,298,187
Total Liabilities	282,651,879	28,831,361
<u>Deferred Inflow of Resources</u>		
Related to leases	658,308	-
Related to OPEB	1,650,697	171,307
Related to pensions	69,151,580	4,678,530
Total Deferred Inflows of Resources	71,460,585	4,849,837
<u>Net Position</u>		
Investment in capital assets, net of related debt	51,087,279	1,469,546
Restricted	76,052,293	345,000
Unrestricted	(192,847,710)	(4,337,481)
Total Net Position	\$ (65,708,138)	\$ (2,522,935)

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

STATEMENT OF ACTIVITIES
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
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	Component Unit
Governmental Activities					
Direct instruction	\$ 40,086,725	\$ 769,236	\$ 17,087,168	\$ 4,145,327	\$ -
Indirect instruction	18,281,015	-	2,129,003	26,512	-
Transportation	3,458,893	-	-	-	-
Custodial and maintenance	4,480,680	-	145,779	1,329	-
Other support services	10,397,979	6,683,446	221,599	1,856,652	-
General administration	816,510	446,828	92,013	10,403	-
Interest expense, unallocated	3,188,930	-	-	-	-
Total Governmental Activities	80,710,732	7,899,510	19,675,562	6,040,223	(47,095,437)
Component Unit - Charter Schools	\$ 8,626,807	\$ 9,104	\$ 780,322	\$ 290,286	\$ (7,547,095)
General Revenues					
Local property taxes				\$ 34,652,511	\$ -
Specific ownership taxes				3,091,500	-
School finance act				50,137,021	10,861,443
Earnings on investments				98,721	1,010
Gain (loss) on sale of capital assets				384,194	-
Other				125,091	593,649
Total General Revenues				88,489,038	11,456,102
Changes in Net Position				41,393,601	3,909,007
Net Position - July 1 (Restated-Charter Schools)				(107,101,739)	(6,431,942)
Net Position - June 30				\$ (65,708,138)	\$ (2,522,935)

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

GOVERNMENTAL FUND
FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2022

	General	Debt	Capital	Designated	Other	Total
	Fund	Service	Projects	Purpose Grants	Governmental	Governmental
<u>Assets</u>		Fund	Fund	Fund	Funds	Funds
Cash and investments - unrestricted	\$ 26,080,140	\$ 16,731,434	\$ -	\$ 117,336	\$ 3,199,507	\$ 46,128,417
Restricted cash	-	-	63,876,672	-	-	63,876,672
Receivables	2,261,315	427,043	816,887	3,070,468	847,791	7,423,504
Due from other funds	1,508,808	-	-	6,533	77,435	1,592,776
Inventories	32,529	-	-	-	131,061	163,590
Total Assets	29,882,792	17,158,477	64,693,559	3,194,337	4,255,794	119,184,959
 <u>Liabilities</u>						
Accounts payable	233,071	-	8,413,789	236,611	162,199	9,045,670
Accrued payroll liabilities	3,160	-	-	-	-	3,160
Accrued salaries and benefits	7,085,305	-	-	697,060	342,931	8,125,296
Due to other funds	1,640	-	-	1,510,197	80,939	1,592,776
Due to component unit	1,988,403	-	-	642	-	1,989,045
Unearned revenue	274,833	-	-	57,611	165,216	497,660
Total Liabilities	9,586,412	-	8,413,789	2,502,121	751,285	21,253,607
 <u>Deferred Inflow of Resources</u>						
Property taxes	276,000	132,000	-	-	-	408,000
Leases	658,308	-	-	-	-	658,308
Total Deferred Inflow of Resources	934,308	132,000	-	-	-	1,066,308
 <u>Fund Balance</u>						
Nonspendable	32,529	-	-	-	131,061	163,590
Restricted	2,569,475	17,026,477	56,279,770	112,471	64,100	76,052,293
Assigned	4,414,844	-	-	579,745	3,380,844	8,375,433
Unassigned	12,345,224	-	-	-	(71,496)	12,273,728
Total Fund Balances	\$ 19,362,072	\$ 17,026,477	\$ 56,279,770	\$ 692,216	\$ 3,504,509	\$ 96,865,044

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
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2022

Total Fund Balances - Governmental Fund \$ 96,865,044

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. 147,671,932

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. 408,000

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. 833,998

Deferred inflows and outflows of resources represent an acquisition of consumption of net position that applies to future periods and therefore not reported in the governmental funds:

Deferred amount on refunding	\$ 3,665,455	
Deferred outflows - OPEB related amounts	342,369	
Deferred outflows - pension related amounts	18,298,389	
Deferred inflows - OPEB related amounts	(1,650,697)	
Deferred inflows - pension related amounts	<u>(69,151,580)</u>	(48,496,064)

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	(128,385,000)	
Bond premiums	(18,578,666)	
Quality Zone Academy Bonds	(189,341)	
Leases	(490,537)	
Notes and other obligations	(12,943,312)	
Compensated absences	(6,728,708)	
Accrued interest	(528,196)	
Net OPEB obligation	(4,309,852)	
Net pension obligation	<u>(90,837,436)</u>	<u>(262,991,048)</u>

Total Net Position - Governmental Activities **\$ (65,708,138)**

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Designated Purpose Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Local property tax	\$ 23,188,880	\$ 11,099,631	\$ -	\$ -	\$ -	\$ 34,288,511
Specific ownership tax	3,091,500	-	-	-	-	3,091,500
State sources	68,286,211	-	1,855,839	300,202	31,599	70,473,851
Federal sources	1,656,446	-	-	12,326,767	6,126,183	20,109,396
Other sources	1,399,844	4,461	70,070	500,746	3,124,942	5,100,063
Fund allocations	(11,188,198)	-	-	-	-	(11,188,198)
Total Revenues	<u>86,434,683</u>	<u>11,104,092</u>	<u>1,925,909</u>	<u>13,127,715</u>	<u>9,282,724</u>	<u>121,875,123</u>
Expenditures						
Direct instruction	47,782,026	-	-	7,392,177	3,425,406	58,599,609
Indirect instruction	17,986,549	-	-	2,125,871	-	20,112,420
Transportation	3,237,873	-	-	-	213,579	3,451,452
Custodial and maintenance	5,753,027	-	-	156,822	17,552	5,927,401
Other support services	5,829,180	-	171,633	167,581	5,463,623	11,632,017
General administration	960,452	-	-	127,718	-	1,088,170
Capital outlay	1,368,642	-	21,055,617	158,796	445,629	23,028,684
Debt service:						
Principal retirement	2,091,778	4,305,000	-	2,791,449	-	9,188,227
Interest and fiscal charges	243,421	3,575,157	-	92,848	-	3,911,426
Total Expenditures	<u>85,252,948</u>	<u>7,880,157</u>	<u>21,227,250</u>	<u>13,013,262</u>	<u>9,565,789</u>	<u>136,939,406</u>
Excess of Revenues Over (Under)						
Expenditures	<u>1,181,735</u>	<u>3,223,935</u>	<u>(19,301,341)</u>	<u>114,453</u>	<u>(283,065)</u>	<u>(15,064,283)</u>
Other Financing Sources (Uses)						
Transfers to other funds	(1,139,894)	-	-	-	-	(1,139,894)
Transfers from other funds	-	-	-	-	1,139,894	1,139,894
Proceeds from leases	4,463,724	-	-	-	-	4,463,724
Total Other Financing Sources (Uses)	<u>3,323,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,139,894</u>	<u>4,463,724</u>
Net Change in Fund Balances	<u>4,505,565</u>	<u>3,223,935</u>	<u>(19,301,341)</u>	<u>114,453</u>	<u>856,829</u>	<u>(10,600,559)</u>
Fund Balances - July 1	<u>14,856,507</u>	<u>13,802,542</u>	<u>75,581,111</u>	<u>577,763</u>	<u>2,647,680</u>	<u>107,465,603</u>
Fund Balances - June 30	<u>\$ 19,362,072</u>	<u>\$ 17,026,477</u>	<u>\$ 56,279,770</u>	<u>\$ 692,216</u>	<u>\$ 3,504,509</u>	<u>\$ 96,865,044</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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2022

Total Change in Fund Balances - Governmental Funds	\$ (10,600,559)
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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	\$ 22,473,998	
Depreciation expense	(6,635,862)	
Net book value of disposed assets	(10,426)	
Leased assets	192,576	
Amortization expense	<u>(80,924)</u>	15,939,362

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

Property taxes	364,000	
Other	<u>1,167</u>	365,167

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. 70,405

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	9,107,072	
Amortization of deferred refunding amounts	1,126,010	
Amortization of bond premiums	(347,766)	
Capital assets financed by leases	(4,463,724)	
Other long-term obligations (CDE repayment obligation)	(125,531)	
Change in accrued interest	<u>(105,190)</u>	5,190,871

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	30,517,693	
OPEB income	448,203	
Change in compensated absences	<u>(537,541)</u>	30,428,355

Total Change in Net Position - Governmental Activities	\$ <u>41,393,601</u>
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The accompanying notes to financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Pueblo County School District No. 70, (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

Pueblo County School District No. 70 (the District) is an independent school district governed by an elected five member board of education. The accompanying financial statements represent the District and component units for which the District is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the District.

Discretely Presented Component Units - Charter Schools The State of Colorado Legislature in 1993 enacted the "Charter School Act - Colorado Revised Statutes (CRS) Section 22-30.5-101." 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 state 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 Pueblo County School District's Board of Education must approve all Charter School applications and budgets. The charter schools are required to be presented as component units by the Colorado Department of Education and are required to have individual independent audits. The District considers each of the component units to be non-major component units because none of the schools individually have a relationship with the District that is significant enough to require separate reporting within the basic financial statements. Combining schedules are included within the supplementary section of this annual financial report. All discretely presented component units are reported in aggregate in a separate column titled "Component Units" in the government-wide financial statements.

The District has three charters schools - Connect School, Villa Bella Expeditionary and the Swallows Charter Academy. Financial statements for the charter schools may be obtained on the respective charter schools financial transparency web page.

Blended Component Unit - The School District 70 Education Foundation The Foundation is a 501(c)(3) non-profit entity organized to operate for educational and charitable purposes exclusively for the benefit of the School District, including the support and enrichment of the education of the student. The Foundation is governed by a board approved by the Board of Education of the School District. The Foundation is reported as a special revenue fund within the School District's financial statements. The Foundation issues compiled financial statements. Additional information may be obtained by writing the Foundation, 24951 East U.S. Highway 50, Pueblo, CO 81006 or by calling 1-719-542-0220.

Government-Wide and Fund Financial Statements

The District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from activities of the fiscal year.

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 School District and its component units. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the later are excluded from the government-wide financial statements. Major governmental funds (General Fund, Debt Service Fund, Designated Grants Fund and Capital Projects Fund) 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 Presentations

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 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 School 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, as are fiduciary fund statements. 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property and specific ownership taxes are reported as receivables and unearned revenue 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 retirement pay which are accounted for as expenditures when expected to be liquidated with expendable financial resources.

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 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 School District are organized on the basis of funds, each of which is considered a separate accounting entity. The School District has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures/expenses. The individual funds account for governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The following major funds and fund types are used by the School District:

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 Capital Reserve, Preschool and Self Insurance funds 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 Athletic Fund, Pupil Activity Fund, Food Service Fund and the School District 70 Education Foundation.

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 Athletic Fund accounts for funds used for all student athletics.

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

The School District 70 Education Foundation is organized to operate exclusively for educational and charitable purposes exclusively for the benefit of the School District.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund

The Capital Projects 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.

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 general 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 the 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 General Fund and 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 instructional supplies, plumbing and electrical supplies, and 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:

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

Unearned Revenue

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

Accounts Payable and Encumbrances

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

Encumbrances represent outstanding purchase orders for goods or services not yet delivered or provided as of June 30, 2022. Encumbrances are not recognized as liabilities or expenditures until the period in which the payable becomes fixed.

Outstanding encumbrances at year-end are recognized as a reservation of fund balance. There were no outstanding encumbrances at 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 \$844,915,263.

The tax rates assessed for the year ended June 30, 2023 to finance general fund operations and the payment of principal and interest on general long-term debt were \$27.076 and \$12.963 per \$1,000 valuation, respectively, for a total of \$40.039 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 12 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 12 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The School District affords certain employees annual leave benefits which are vesting, accumulating rights and are carried forward to subsequent years. Payment of unused annual leave, a liability of the School District to the employee, if any, is payable only upon termination of an employee with ten years of continuous service to the District. The benefits are paid at varied rates applied to varied maximum accumulated days, depending on the employee group.

The annual leave benefits are recognized at the time of the employee absence (i.e., days off for sick leave) which is in accordance with generally accepted accounting principles for these on-going benefits.

The School District also affords certain employees vacation benefits. These benefits are earned based upon the length of service and accumulation is limited to a maximum of 40 days. Accrued vacation is paid to employees upon termination of employment.

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.

Total accrued vacation and annual leave is included in the government-wide financial statements.

Budgets and Budgetary Data

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

- a. Formal budgetary accounting is employed by the School District as a management control for all funds. Annual operating budgets are adopted each fiscal year through the passage of an annual appropriation resolution for the general fund, special revenue funds, debt service fund and the proprietary funds. For each legally adopted budget, budgetary control exists at the total fund level.
- b. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- c. All unencumbered budget appropriations lapse at the end of each fiscal 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 \$1,113,587 were made for the District by the State of Colorado have been recorded in the fund financial statements.

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 Athletic Fund had a deficit fund balance of \$21,396.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The School District carries commercial insurance for such risks, including workers' compensation. The premiums for insurance coverage are paid primarily through the Self Insurance Reserve Fund. Such activities are included in the General Fund. Settled claims resulting from these risks did not exceed commercial insurance coverage during the fiscal year.

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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 DEPOSITS 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 \$93,081,797. 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	\$ 24,781,874	\$ 24,781,874	\$ -
Cash held by County Treasurer	1,020,321	1,020,321	-
<u>Investments</u>			
State investment pool (ColoTrust)	1,254,489	1,254,489	-
Certificates of deposit	22,363	22,363	-
Money market	72,244,999	72,244,999	-
U.S. Government Securities	16,485,686	16,485,686	-
Total Deposits	\$ 115,809,732	\$ 115,809,732	\$ -
Governmental Activities	\$ 110,005,089		
Component Unit	5,804,643		
	\$ 115,809,732		

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

A designated custodial bank provides safekeeping and depository services to ColoTrust and 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 3 inputs.

- Certificates of deposit are valued using a matrix pricing model (Level 2 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 and ColoTrust Plus was rated AAm by Standard and Poor's. The U.S. Government Securities are assigned the highest credit ratings by S&P and Moody.

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	\$ 1,378,954	
Leases	658,308	
Grants	63,155	
Accounts receivable other	32,990	
Component unit	<u>127,908</u>	\$ 2,261,315
Bond Redemption Fund		
Property taxes		427,043
Building Fund		
Grants		816,887
Designated Purposes Grants		
Grants	3,063,931	
Accounts receivable - other	<u>6,537</u>	3,070,468
Non-major Funds		
Food Service	153,605	
Grants	694,094	
Pupil Activity	<u>92</u>	<u>847,791</u>
Totals Governmental Funds Balance Sheet		7,423,504
Accounts receivable - long-term		<u>29,462</u>
Total Statement of Net Position - Governmental Activities		<u>\$ 7,452,966</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2022

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	\$ 1,508,808	\$ 1,640
Nonmajor Governmental Funds	77,435	80,939
Major Governmental Funds	6,533	1,510,197
Total All Funds	\$ 1,592,776	\$ 1,592,776

The General Fund receivable is a result of financing programs in other funds. The General Fund payable is a result of per pupil funding allocations. 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 nonmajor governmental funds from the general fund in the amount of \$1,139,894.

NOTE 6 - LEASES

The District, acting as lessor, leases property to various telecommunications companies for the placement of cell phone towers under long-term noncancelable lease agreements. The leases expire at various dates through 2038 and provide for renewal options for two to four additional five year terms. During the year ended June 30, 2022, the District recognized \$66,368 and \$20,362 in lease revenue and interest revenue, respectively, pursuant to the contracts.

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	\$ 52,630	\$ 18,171	\$ 70,801
2024	56,135	15,829	71,964
2025	39,913	13,770	53,683
2026	35,560	12,858	48,418
2027	37,712	11,965	49,677
2028 - 2032	224,105	44,389	268,494
2033 - 2037	171,406	18,511	189,917
2038	40,847	622	41,469
Total	\$ 658,308	\$ 136,115	\$ 794,423

NOTE 7 - CHANGES IN CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended June 30, 2022:

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 7 - CHANGES IN CAPITAL ASSETS (Continued)

<u>Governmental Activities</u>	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
Non-Depreciable Assets:				
Land	\$ 659,080	\$ -	\$ -	\$ 659,080
Construction in progress	5,152,667	20,872,877	209,692	25,815,852
Total Non-Depreciable Assets	<u>5,811,747</u>	<u>20,872,877</u>	<u>209,692</u>	<u>26,474,932</u>
Depreciable Assets:				
Bldg. and improvements	201,443,980	418,646	-	201,862,626
Furniture and fixtures	14,737,157	778,062	2,987,783	12,527,436
Automotive equipment	2,890,386	766,523	-	3,656,909
Leased assets	319,082	192,576	-	511,658
Total Depreciable Assets	<u>219,390,605</u>	<u>2,155,807</u>	<u>2,987,783</u>	<u>218,558,629</u>
Less Accumulated Depreciation for:				
Bldg. and improvements	78,541,837	6,109,677	-	84,651,514
Furniture and fixtures	12,951,233	305,414	2,824,940	10,431,707
Automotive equipment	1,752,617	220,771	-	1,973,388
Leased assets	224,096	80,924	-	305,020
Total Accumulated Depreciation	<u>93,469,783</u>	<u>6,716,786</u>	<u>2,824,940</u>	<u>97,361,629</u>
Total Capital Assets, Net	<u>\$ 131,732,569</u>	<u>\$ 16,311,898</u>	<u>\$ 372,535</u>	<u>\$ 147,671,932</u>
 <u>Component Unit - Charter Schools</u>				
Non-Depreciable Assets:				
Land	\$ 308,449	\$ -	\$ -	\$ 308,449
Construction in progress	-	347,188	-	347,188
Total Non-Depreciable Assets	<u>308,449</u>	<u>347,188</u>	<u>-</u>	<u>655,637</u>
Depreciable Assets:				
Bldg. and improvements	13,507,528	5,213,985	-	18,721,513
Furniture and equipment	403,672	226,458	-	630,130
Leased assets	256,123	229,368	-	485,491
Total Depreciable Assets	<u>14,167,323</u>	<u>5,669,811</u>	<u>-</u>	<u>19,837,134</u>
Less Accumulated Depreciation for:				
Bldg. and improvements	1,384,679	679,291	-	2,063,970
Furniture and equipment	184,968	24,859	-	209,827
Leased assets	46,518	63,138	-	109,656
Total Accumulated Depreciation	<u>1,616,165</u>	<u>767,288</u>	<u>-</u>	<u>2,383,453</u>
Total Capital Assets, Net	<u>\$ 12,859,607</u>	<u>\$ 5,249,711</u>	<u>\$ -</u>	<u>\$ 18,109,318</u>

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

Governmental activities:	
Direct instruction	\$ 1,214,440
Transportation	7,441
Custodial and maintenance	227,956
Other support services	5,186,025
Total Depreciation Expense - Governmental Activities	<u>\$ 6,635,862</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 8 - ACCRUED SALARIES AND P.E.R.A.

Salaries of certain contractually employed personnel are paid over a twelve month period, but are earned during the school year, a period of approximately nine months. The amounts representing accrued salaries are those earned through June 30, 2022, but not yet paid by the School District. Accrued P.E.R.A. represents the School District's 20.9% contribution on the accrued salaries. At June 30, 2022 accrued salaries and P.E.R.A. have been recognized as a liability in each of the affected funds.

The accrued salaries and P.E.R.A. by fund at June 30, 2022 were as follows:

General Fund	\$ 7,085,305
Governmental Designated-Purpose Grants Fund	697,060
Food Service Enterprise Fund	241,950
Pupil Athletic Fund	100,981
Total - Primary Government	<u>\$ 8,125,296</u>
Component Unit - Charter Schools	<u>\$ 625,825</u>

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	\$ 132,690,000	\$ -	\$ 4,305,000	\$ 128,385,000	\$ 5,200,000
Bond Premiums	19,704,675	-	1,126,009	18,578,666	-
Quality Zone Academy Bonds	377,341	-	188,000	189,341	189,341
Notes payable and other	12,466,479	1,625,531	1,148,698	12,943,312	1,219,669
Leases	992,187	2,963,724	3,465,374	490,537	160,048
Compensated absences	6,191,167	537,541	-	6,728,708	-
Total GO Bonds and Other Obligations	172,421,849	5,126,796	10,233,081	167,315,564	6,769,058
Net pension liability	132,326,867	-	41,489,431	90,837,436	-
Net OPEB liability	3,967,297	342,555	-	4,309,852	-
Total Long Term Liabilities	<u>\$ 308,716,013</u>	<u>\$ 5,469,351</u>	<u>\$ 51,722,512</u>	<u>\$ 262,462,852</u>	<u>\$ 6,769,058</u>

As a result of implementation of GASB 87, Leases, \$94,986 in lease liabilities for equipment was added to the beginning balance presented above. Because these leases are offset by an equal amount in lease assets, the District does not report a restatement of beginning net position as a result of the implementation of GASB 87.

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 \$168,983,053 and \$40,598,053, 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:

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 9 - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

\$59,545,000 2013 Series General Obligation Bonds, due in semi-annual installments with annual payments ranging from \$905,000 to \$5,800,000 through December 1, 2032. Interest rates range from 2.0% to 5%.

\$ 3,320,000

\$73,045,000 Series 2021A General Obligation Bonds, due in semi-annual installments with annual payments ranging from \$2,853,700 to \$8,575,500 through December 2041. Interest rates range from 3.0% to 4.0%.

73,045,000

\$53,135,000 Series 2021B General Obligation Refunding Bonds, due in semi-annual installments with annual payments ranging from \$1,466,000 to \$7,037,000 through December 2032. Interest rates range from .16% to 1.74%.

52,020,000

\$ 128,385,000

Future years repayment schedule:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,200,000	\$ 3,422,551	\$ 8,622,551
2024	6,675,000	3,325,088	10,000,088
2025	6,690,000	3,296,871	9,986,871
2026	6,685,000	3,230,577	9,915,577
2027	6,875,000	3,124,017	9,999,017
2028 - 2032	34,010,000	13,608,261	47,618,261
2033 - 2037	30,720,000	8,877,160	39,597,160
2038 - 2042	31,530,000	2,945,550	34,475,550
Total	<u>\$ 128,385,000</u>	<u>\$ 41,830,075</u>	<u>\$ 170,215,075</u>

Quality Zone Academy Bonds

The District issued Quality Zone Academy Bonds in 2008 for the purpose of purchasing computer and related technology equipment. These bonds require semi-annual payments including interest at .59%. The final payment on these bonds is due December 2022.

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 189,341	\$ 1,117	\$ 190,458

Notes and Other Obligations

The District has entered into several notes and related financing arrangements summarized below:

Bank of America, to refinance energy related improvements, payable in annual installments of \$1,052,798 including interest of 2.2%, final payment due September, 2033.

\$ 11,317,781

Bank of San Juans, to finance equipment purchases, payable in annual installments of \$395,370 including interest at 2.15%, final payment due October 2025.

1,500,000

Colorado Department of Education, adjustment to formula funding for previous years, non-interest bearing.

125,531

\$ 12,943,312

NOTES TO FINANCIAL STATEMENTS (Continued)**PUEBLO COUNTY SCHOOL DISTRICT NO. 70**

June 30, 2022

NOTE 9 - LONG-TERM LIABILITIES (Continued)**Notes and Other Obligations (Continued)**

Future years repayment schedule:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,219,668	\$ 228,500	\$ 1,448,168
2024	1,242,329	205,841	1,448,170
2025	1,265,414	182,756	1,448,170
2026	1,288,932	159,237	1,448,169
2027	917,522	135,277	1,052,799
2028 - 2032	4,957,377	432,147	5,389,524
2033 - 2037	2,052,070	50,527	2,102,597
Total	\$ 12,943,312	\$ 1,394,285	\$ 14,337,597

Leases

The District has entered into numerous lease agreements for the use of office, technology and other equipment. The lease terms vary between three and five years and include interest at rates ranging from 1.734% to 8.866%. Lease payment obligations to maturity for the existing obligations follows:

Future years repayment schedule:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 160,048	\$ 19,691	\$ 179,739
2024	135,277	13,265	148,542
2025	110,962	8,022	118,984
2026	84,250	3,868	88,118
Total	\$ 490,537	\$ 44,846	\$ 535,383

Long-Term Liabilities - Component Units**Connect**

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>	<u>Current Portion</u>
Building loans	\$ 1,172,786	\$ -	\$ 62,538	\$ 1,110,248	\$ 65,125
Leases	16,681	117,339	23,000	111,020	35,277
Compensated absences	130,076	14,406	1,044	143,438	-
Net pension liability	2,926,518	-	639,085	2,287,433	-
Net OPEB liability	97,812	7,492	-	105,304	-
Total Long-Term Liabilities					
Connect	\$ 4,343,873	\$ 139,237	\$ 725,667	\$ 3,757,443	\$ 100,402

Villa Bella

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>	<u>Current Portion</u>
Building loans	\$ 6,301,640	\$ 152,080	\$ 239,779	\$ 6,213,941	\$ 246,970
Leases	75,585	229,368	40,138	264,815	42,267
Compensated absences	56,951	10,253	-	67,204	-
Net pension liability	2,273,292	-	468,925	1,804,367	-
Net OPEB liability	57,241	29,559	-	86,800	-
Total Long-Term Liabilities					
Villa Bella	\$ 8,764,709	\$ 421,260	\$ 748,842	\$ 8,437,127	\$ 289,237

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 9 - LONG-TERM LIABILITIES (Continued)

Long-Term Liabilities - Component Units (Continued)

<u>Swallows</u>	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>	<u>Current Portion</u>
Bonds payable	\$ 10,120,000	\$ -	\$ 60,000	\$ 10,060,000	\$ 60,000
Leases	103,880	-	51,876	52,004	52,004
Net pension liability	7,410,626	-	2,204,239	5,206,387	-
Net OPEB liability	269,350	-	17,464	251,886	-
Total Long-Term Liabilities					
Swallows	\$ 17,903,856	\$ -	\$ 2,333,579	\$ 15,570,277	\$ 112,004

NOTE 10 - PRIOR YEARS' DEBT DEFEASANCE

In prior years, the District has defeased various 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 \$48,975,000.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Tax, Revenue, Spending and Debt Limitation

In November, 1992 Colorado voters amended 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 4, 1997, the District passed a referendum regarding the revenue and spending limits imposed by Article X, section 20 of the Colorado constitution. The referendum allows the District, without increasing or adding any taxes of any kind, to collect, retain and expend all revenues and other funds collected during 1997 and thereafter. 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 \$2,637,600 which represents 3% of fiscal year spending. The District has recognized the emergency reserve in the Insurance Reserve Fund, the Preschool Fund, the Capital Reserve Fund, the Designated Grants Fund, the Food Service Fund, the Athletic Fund and the Activities 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 \$70,473,851, which represents approximately 58% of the District's total governmental fund revenues for the year.

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2022

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)

Arbitrage Liability

The School District issued general obligation bonds for the purpose of financing voter approved capital construction projects. 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.

NOTE 12 - DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions

Pueblo County School District No. 70 (the District) participates in the School Division Trust Fund (SCHDTF), a cost sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

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

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 the 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 the 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided as of December 31, 2021 (Continued)

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

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

Contributions Provisions as of June 30, 2022

Eligible employees of the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.5% 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 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 percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF.

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLAN (Continued)

Contributions Provisions as of June 30, 2022 (Continued)

Employer contributions recognized by the SCHDTF from the District, were \$9,705,650 for the year ended June 30, 2022.

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

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

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2022 the District reported a liability of \$90,837,436 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

The District's proportionate share of the net pension liability	\$	90,837,436
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District		11,521,573
Total	\$	<u>102,359,009</u>

At December 31, 2021, the District's proportion was .7811782231%, which was a decrease of .0945340269% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized pension income of \$30,517,692 and revenue of \$1,113,587 for support from the State as a nonemployer contributing entity. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,647,725	\$ -
Changes of assumptions or other inputs	5,163,063	-
Net difference between projected and actual earnings on pension plan investments	-	48,336,954
Changes in proportion and differences between contributions recognized and proportionate share of contributions	5,427,836	20,814,627
Contributions subsequent to the measurement date	5,059,765	-
Total	<u>\$ 18,298,389</u>	<u>\$ 69,151,581</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLAN (Continued)

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

\$5,059,765 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	\$ (27,281,128)
2024	(9,078,108)
2025	(8,322,814)
2026	(11,230,907)
	<u>\$ (55,912,957)</u>

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 before January 1, 2007 and DPS benefit structure (compounded annually)	1.00%
PERA benefit structure hired after December 31, 2006*	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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

- **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</u>
		<u>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:

- 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 12 - DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate (Continued)

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

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

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 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	\$ 133,705,277	\$ 90,837,436	\$ 55,065,823

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 13 - DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN (Continued)

Plan Description

Employees of the District 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 ACFR which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2022, program members contributed \$1,443,779 for the Voluntary Investment Program.

NOTE 14 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB

The District participates in the Health Care Trust Fund (HCTF), a cost sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the 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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 14 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Benefits Provided (Continued)

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.

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 service based subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$497,971 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$4,309,852 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 14 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

At December 31, 2021 the District's, proportion was .5100448586%, which was an increase of .0034825696 from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized OPEB income of \$448,204. At June 30, 2022, the District 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	\$ 1,628	\$ 190,788
Changes of assumptions or other inputs	22,854	357,026
Net difference between projected and actual earnings on OPEB plan investments	-	251,511
Changes in proportion and differences between contributions recognized and proportionate share of contributions	58,281	851,372
Contributions subsequent to the measurement date	259,606	-
Total	<u>\$ 342,369</u>	<u>\$ 1,650,697</u>

\$259,606 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	\$ (287,073)
2024	(287,071)
2025	(327,090)
2026	(335,144)
2027	(165,778)
2028	(165,778)
	<u>\$ (1,567,934)</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			0.70%	
Wage inflation			3.00%	
Salary increase, including wage inflation				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40%	N/A
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation			7.25%	
Discount rate			7.25%	

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 14 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Actuarial Assumptions (Continued)

	<u>State Division</u>	<u>School Division</u>	<u>Local Government Division</u>	<u>Judicial Division</u>
Health care cost trend rates				
PERA benefit structure:				
Service-based premium subsidy			0.00%	
PERACare Medicare plan		4.50% in 2021, 6.00% in 2022 gradually decreasing to 4.50% in 2029		
Medicare Part A premiums		3.75% in 2021, gradually increasing to 4.50% in 2029		
DPS benefit structure:				
Service-based premium subsidy			0.00%	
PERACare Medicare plans			N/A	
Medicare Part A premiums			N/A	

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

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

	<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	\$633	\$230	\$591
Kaiser Permanente Medicare Advantage HMO	\$596	\$199	\$562

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 14 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Actuarial Assumptions (Continued)

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A 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.

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

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

Post-retirement non disabled mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based 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-2019.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 14 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Actuarial Assumptions (Continued)

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

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

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

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.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 14 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Actuarial Assumptions (Continued)

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

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability - Primary Government	\$ 4,186,085	\$ 4,309,852	\$ 4,453,226

Discount Rate

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

NOTE 14 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

<u>Primary Government</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net OPEB liability	\$ <u>5,005,442</u>	\$ <u>4,309,852</u>	\$ <u>3,715,698</u>

OPEB Plan Fiduciary Net Position

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

NOTE 15 - NET POSITION AND FUND BALANCES

Government-wide and Proprietary Fund 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.

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:

NOTES TO FINANCIAL STATEMENTS (Continued)
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2022

NOTE 15 - NET POSITION FUND BALANCES (Continued)

Governmental Fund Balances (Continued)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances					
Nonspendable					
Inventory	\$ 32,529	\$ -	\$ -	\$ 131,061	\$ 163,590
Restricted					
Tabor reserve	2,564,100	-	-	73,500	2,637,600
Capital Projects	-	-	56,279,770	-	56,279,770
Full day kindergarten	5,375	-	-	-	5,375
Grant restriction	-	-	-	103,071	103,071
Debt service	-	17,026,477	-	-	17,026,477
Total Restricted	<u>2,569,475</u>	<u>17,026,477</u>	<u>56,279,770</u>	<u>176,571</u>	<u>76,052,293</u>
Assigned					
Capital reserve	3,758,920	-	-	-	3,758,920
Insurance reserve	655,924	-	-	-	655,924
Food service	-	-	-	1,827,269	1,827,269
Designated Grants	-	-	-	579,745	579,745
Activity Fund	-	-	-	1,553,545	1,553,545
Athletic fund	-	-	-	-	0
Foundation	-	-	-	30	30
Total Assigned	<u>4,414,844</u>	<u>-</u>	<u>-</u>	<u>3,960,589</u>	<u>8,375,433</u>
Unassigned					
General Government	<u>12,345,224</u>	<u>-</u>	<u>-</u>	<u>(71,496)</u>	<u>12,273,728</u>
Total Fund Balances	<u>\$ 19,362,072</u>	<u>\$ 17,026,477</u>	<u>\$ 56,279,770</u>	<u>\$ 4,196,725</u>	<u>\$ 96,865,044</u>

NOTE 16 - JOINT VENTURE

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. 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

The Designated Grants Fund for the Villa Bella Expeditionary Charter School were not presented as a portion of the government wide nor the fund statements as of June 30, 2021. The following adjustment was required to restate beginning net position in the government wide financial statements and beginning fund balance in the fund statements.

Government Wide - Statement of Activities

Net Position July 1	\$ 315,206
To include Designated Grants Fund	33,913
	<u>\$ 349,119</u>

General Fund - Financial Statements

Net Position July 1	\$ 608,662
To include Designated Grants Fund	33,913
	<u>\$ 642,575</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

GENERAL FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

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	\$ 21,159,553	\$ 22,537,365	\$ 23,188,880	\$ 651,515
Specific ownership tax	1,873,001	1,995,313	3,091,500	1,096,187
State sources	68,935,751	68,356,860	68,286,211	(70,649)
Federal sources	1,602,000	1,614,537	1,656,446	41,909
Other sources	1,692,177	1,876,187	1,399,844	(476,343)
Fund allocations	(10,432,880)	(10,696,111)	(11,188,198)	(492,087)
Total Revenues	<u>84,829,602</u>	<u>85,684,151</u>	<u>86,434,683</u>	<u>750,532</u>
Expenditures				
Direct instruction	48,586,402	52,198,944	47,782,026	4,416,918
Indirect instruction	15,426,277	17,701,518	17,986,549	(285,031)
Transportation	2,770,497	2,770,497	3,237,873	(467,376)
Custodial and maintenance	5,463,082	5,937,620	5,753,027	184,593
Other support services	5,341,482	6,416,539	5,829,180	587,359
General administration	954,646	1,058,351	960,452	97,899
Capital outlay	1,279,750	5,550,898	1,368,642	4,182,256
Debt service:				
Principal retirement	2,782,130	2,865,834	2,091,778	774,056
Interest and fiscal charges	460,126	376,422	243,421	133,001
Contingency	9,443,184	6,735,571	-	6,735,571
Total Expenditures	<u>92,507,576</u>	<u>101,612,194</u>	<u>85,252,948</u>	<u>16,359,246</u>
Excess of Revenues Over				
(Under) Expenditures	<u>(7,677,974)</u>	<u>(15,928,043)</u>	<u>1,181,735</u>	<u>17,109,778</u>
Other Financing Sources (Uses)				
Transfers to other funds	(1,257,433)	(1,345,000)	(1,139,894)	205,106
Transfers from other funds	-	-	-	-
Proceeds from lease	-	4,271,148	4,463,724	192,576
Total Other Financing Sources (Uses)	<u>(1,257,433)</u>	<u>2,926,148</u>	<u>3,323,830</u>	<u>397,682</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	<u>(8,935,407)</u>	<u>(13,001,895)</u>	<u>4,505,565</u>	<u>17,507,460</u>
Fund Balances - July 1	<u>8,935,407</u>	<u>13,001,895</u>	<u>14,856,507</u>	<u>1,854,612</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,362,072</u>	<u>\$ 19,362,072</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

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	\$ 17,471,388	\$ 18,348,599	\$ 12,326,767	\$ (6,021,832)
State sources	210,900	258,583	300,202	41,619
Other sources	<u>4,744,894</u>	<u>6,056,424</u>	<u>500,746</u>	<u>(5,555,678)</u>
Total Revenues	<u>22,427,182</u>	<u>24,663,606</u>	<u>13,127,715</u>	<u>(11,535,891)</u>
Expenditures				
Direct instruction	20,791,883	22,328,461	7,392,177	14,936,284
Indirect instruction	1,391,286	2,088,822	2,125,871	(37,049)
Custodial and maintenance	-	1,859	156,822	(154,963)
Other support services	197,215	160,200	167,581	(7,381)
General administration	21,577	84,264	127,718	(43,454)
Debt service:				
Principal retirement	-	-	2,791,449	(2,791,449)
Interest and fiscal charges	-	-	92,848	(92,848)
Capital outlay	-	-	158,796	(158,796)
Contingency	<u>25,221</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>22,427,182</u>	<u>24,663,606</u>	<u>13,013,262</u>	<u>11,650,344</u>
Excess of Revenues Over (Under) Expenditures	-	-	114,453	114,453
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>577,763</u>	<u>577,763</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 692,216</u>	<u>\$ 692,216</u>

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE -
SCHOOL DIVISION TRUST FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Primary Government					
School's proportion (percentage) of the of the net pension liability	0.7811782231%	0.87571225000%	0.79182744580%	0.79110857540%	0.90530820530%
School's proportionate share of the net pension liability	\$ 90,837,436	\$ 132,326,867	\$ 118,241,565	\$ 140,043,850	\$ 292,709,997
School's covered payroll	\$ 48,874,584	\$ 46,826,480	\$ 46,547,737	\$ 43,481,809	\$ 42,055,165
School's proportionate share of the net pension liability as a percentage of covered payroll	185.86%	282.59%	254.02%	322.07%	696.01%
Plan fiduciary net position as a percentage of the total pension liability	74.86%	66.99%	64.52%	57.01%	43.96%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	
Primary Government					
School's proportion (percentage) of the of the net pension liability	0.85941073360%	0.84404636939%	0.8709059842%	0.8762041253%	
School's proportionate share of the net pension liability	\$ 255,845,307	\$ 129,059,082	\$ 118,019,596	\$ 111,759,600	
School's covered payroll	\$ 40,257,198	\$ 37,389,300	\$ 36,719,056	\$ 36,636,231	
School's proportionate share of the net pension liability as a percentage of covered payroll	635.53%	345.18%	321.41%	305.05%	
Plan fiduciary net position as a percentage of the total pension liability	43.10%	59.20%	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. 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 - SCHOOL DIVISION TRUST FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Primary Government					
Statutorily required contributions	\$ 9,716,267	\$ 9,190,090	\$ 9,222,844	\$ 8,630,680	\$ 7,940,512
Contributions in relation to the statutorily required contributions	<u>9,716,267</u>	<u>9,190,090</u>	<u>9,222,844</u>	<u>8,630,680</u>	<u>7,940,512</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 48,874,584	\$ 46,826,480	\$ 47,589,491	\$ 45,115,943	\$ 42,055,165
Contribution as a percentage of covered payroll	19.88%	19.63%	19.38%	19.13%	18.88%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Primary Government				
Statutorily required contributions	\$ 7,402,323	\$ 6,632,003	\$ 6,142,030	\$ 5,785,691
Contributions in relation to the statutorily required contributions	<u>\$ 7,402,323</u>	<u>\$ 6,632,003</u>	<u>\$ 6,142,030</u>	<u>\$ 5,785,691</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 40,257,198	\$ 37,389,300	\$ 36,719,056	\$ 36,636,231
Contribution as a percentage of covered payroll	18.39%	17.74%	16.73%	15.79%

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.

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE -
HEALTH CARE TRUST FUND
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Primary Government					
School's proportion (percentage) of the net pension liability	0.5100448586%	0.5065622890%	0.5174%	0.5142%	0.5144%
School's proportionate share of the net pension liability	\$ 4,309,852	\$ 3,967,297	\$ 5,800,731	\$ 6,921,161	\$ 6,687,047
School's covered payroll	\$ 48,874,584	\$ 46,826,480	\$ 46,547,737	\$ 43,481,809	\$ 4,176,063
School's proportionate share of the net pension liability as a percentage of covered payroll	8.82%	8.47%	12.46%	15.92%	16.01%
Plan fiduciary net position as a percentage of the total pension liability	39.40%	32.78%	24.49%	17.03%	17.53%

	<u>2016</u>
Primary Government	
School's proportion (percentage) of the net pension liability	0.4885%
School's proportionate share of the net pension liability	\$ 6,333,560
School's covered payroll	\$ 38,571,889
School's proportionate share of the net pension liability as a percentage of covered payroll	16.42%
Plan fiduciary net position as a percentage of the total pension liability	16.72%

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Primary Government					
Statutorily required contributions	\$ 498,521	\$ 477,630	\$ 485,412	\$ 460,182	\$ 428,963
Contributions in relation to the statutorily required contributions	<u>498,521</u>	<u>477,630</u>	<u>485,412</u>	<u>460,182</u>	<u>428,963</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 48,874,584	\$ 46,826,480	\$ 47,589,491	\$ 45,115,943	\$ 42,055,165
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	\$ 410,623
Contributions in relation to the statutorily required contributions	<u>410,623</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 40,257,199
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
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2022

	<u>Food Service</u> <u>Fund</u>	<u>Pupil</u> <u>Athletic</u> <u>Fund</u>	<u>Pupil</u> <u>Activity</u> <u>Fund</u>	<u>The School</u> <u>District 70</u> <u>Education</u> <u>Foundation</u>	<u>Totals</u>
<u>Assets</u>					
Cash in bank and on hand	\$ 1,507,857	\$ 21,526	\$ 1,670,094	\$ 30	\$ 3,199,507
Accounts receivable	847,699	-	92	-	847,791
Due from other funds	-	74,540	2,895	-	77,435
Inventories	<u>131,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,061</u>
Total Assets	<u>2,486,617</u>	<u>96,066</u>	<u>1,673,081</u>	<u>30</u>	<u>4,255,794</u>
<u>Liabilities</u>					
Accounts payable	107,165	16,215	38,819	-	162,199
Accrued salaries and P.E.R.A.	241,950	100,981	-	-	342,931
Due to other funds	56	266	80,617	-	80,939
Unearned revenue	<u>165,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,216</u>
Total Liabilities	<u>514,387</u>	<u>117,462</u>	<u>119,436</u>	<u>-</u>	<u>751,285</u>
<u>Fund Balance</u>					
Nonspendable	131,061	-	-	-	131,061
Restricted	13,900	50,100	100	-	64,100
Assigned	1,827,269	-	1,553,545	30	3,380,844
Unassigned	<u>-</u>	<u>(71,496)</u>	<u>-</u>	<u>-</u>	<u>(71,496)</u>
Total Fund Balances	<u>\$ 1,972,230</u>	<u>\$ (21,396)</u>	<u>\$ 1,553,645</u>	<u>\$ 30</u>	<u>\$ 3,504,509</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES**NONMAJOR GOVERNMENTAL FUNDS**

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2022

	Food Service Fund	Pupil Athletic Fund	Pupil Activity Fund	The School District 70 Education Foundation	Totals
Revenues					
State sources	\$ 31,599	\$ -	\$ -	\$ -	\$ 31,599
Federal sources	6,126,183	-	-	-	6,126,183
Other sources	415,585	484,450	2,214,877	10,030	3,124,942
Fund allocations	-	-	-	-	-
Total Revenues	<u>6,573,367</u>	<u>484,450</u>	<u>2,214,877</u>	<u>10,030</u>	<u>9,282,724</u>
Expenditures					
Direct instruction	-	1,519,724	1,882,837	22,845	3,425,406
Indirect instruction	-	-	-	-	-
Transportation	-	213,579	-	-	213,579
Custodial and maintenance	17,552	-	-	-	17,552
Other support services	5,463,577	46	-	-	5,463,623
Capital outlay	356,706	8,104	80,819	-	445,629
Total Expenditures	<u>5,837,835</u>	<u>1,741,453</u>	<u>1,963,656</u>	<u>22,845</u>	<u>9,565,789</u>
Excess of Revenues Over (Under) Expenditures	<u>735,532</u>	<u>(1,257,003)</u>	<u>251,221</u>	<u>(12,815)</u>	<u>(283,065)</u>
Other Financing Sources (Uses)					
Transfer to other funds	-	-	-	-	-
Transfers from other funds	-	1,139,894	-	-	1,139,894
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,139,894</u>	<u>-</u>	<u>-</u>	<u>1,139,894</u>
Net Change in Fund Balance	735,532	(117,109)	251,221	(12,815)	856,829
Fund Balances - July 1	<u>1,236,698</u>	<u>95,713</u>	<u>1,302,424</u>	<u>12,845</u>	<u>2,647,680</u>
Fund Balances - June 30	<u>\$ 1,972,230</u>	<u>\$ (21,396)</u>	<u>\$ 1,553,645</u>	<u>\$ 30</u>	<u>\$ 3,504,509</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

PUPIL ATHLETIC FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2022

	<u>Budgeted Amount</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Other sources	\$ 515,849	\$ 515,849	\$ 484,450	\$ (31,399)
Expenditures				
Direct instruction	1,609,882	1,697,449	1,519,724	177,725
Transportation	163,200	163,200	213,579	(50,379)
Other support services	200	200	46	154
Capital outlay	-	-	8,104	(8,104)
Total Expenditures	1,773,282	1,860,849	1,741,453	119,396
Excess of Revenues Over				
(Under) Expenditures	(1,257,433)	(1,345,000)	(1,257,003)	87,997
Other Financing Sources (Uses)				
Transfers from other funds	1,257,433	1,345,000	1,139,894	(205,106)
Excess of Revenues and				
Other Sources Over (Under)				
Expenditures and Other Uses	-	-	(117,109)	(117,109)
Fund Balances - July 1	-	-	95,713	99,290
Fund Balances - June 30	\$ -	\$ -	\$ (21,396)	\$ (17,819)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

PUPIL ACTIVITY FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

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				
Other sources	\$ 3,045,016	\$ 3,532,016	\$ 2,214,877	\$ (1,317,139)
Expenditures				
Direct instruction	3,045,016	3,532,016	1,882,837	1,649,179
Capital outlay	-	-	80,819	(80,819)
Total Expenditures	<u>3,045,016</u>	<u>3,532,016</u>	<u>1,963,656</u>	<u>1,568,360</u>
Excess of Revenues Over				
(Under) Expenditures	-	-	251,221	251,221
Fund Balances - July 1	-	-	1,302,424	99,290
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,553,645</u>	<u>\$ 350,511</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

DEBT SERVICE FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

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				
Taxes	\$ 9,746,065	\$ 10,141,541	\$ 11,099,631	\$ 958,090
Other sources	<u>100,000</u>	<u>100,000</u>	<u>4,461</u>	<u>(95,539)</u>
Total Revenues	<u>9,846,065</u>	<u>10,241,541</u>	<u>11,104,092</u>	<u>862,551</u>
Expenditures				
Debt service:				
Principal retirement	4,305,000	4,305,000	4,305,000	-
Interest and fiscal charges	5,541,065	3,578,347	3,575,157	3,190
Contingency	<u>-</u>	<u>2,358,194</u>	<u>-</u>	<u>2,358,194</u>
Total Expenditures	<u>9,846,065</u>	<u>10,241,541</u>	<u>7,880,157</u>	<u>2,361,384</u>
Net Change in Fund Balance	-	-	3,223,935	3,223,935
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>13,802,542</u>	<u>13,802,542</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,026,477</u>	<u>\$ 17,026,477</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

CAPITAL PROJECTS FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

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	\$ 3,763,000	\$ 3,763,000	\$ 1,855,839	\$ (1,907,161)
Other sources	<u>-</u>	<u>-</u>	<u>70,070</u>	<u>70,070</u>
Total Revenues	<u>3,763,000</u>	<u>3,763,000</u>	<u>1,925,909</u>	<u>(1,837,091)</u>
Expenditures				
Other Support Services	144,362	144,362	171,633	(27,271)
Capital outlay	67,452,547	67,452,547	21,055,617	46,396,930
Contingency	<u>12,741,249</u>	<u>12,741,249</u>	<u>-</u>	<u>12,741,249</u>
Total Expenditures	<u>80,338,158</u>	<u>80,338,158</u>	<u>21,227,250</u>	<u>59,110,908</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	(76,575,158)	(76,575,158)	(19,301,341)	57,273,817
Fund Balances - July 1	<u>76,575,158</u>	<u>76,575,158</u>	<u>75,581,111</u>	<u>(994,047)</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,279,770</u>	<u>\$ 56,279,770</u>

STATEMENT OF REVENUES EXPENSES AND CHANGE IN NET ASSETS

BUDGET AND ACTUAL (BUDGET BASIS)

FOOD SERVICE FUND

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2022

	<u>Budgeted Amount</u>			<u>Variance With</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Federal sources	\$ 5,103,900	\$ 7,798,900	\$ 6,126,183	\$ (1,672,717)
State sources	32,000	32,000	31,599	(401)
Local sources	<u>498,600</u>	<u>593,600</u>	<u>415,585</u>	<u>(178,015)</u>
Total Revenues	<u>5,634,500</u>	<u>8,424,500</u>	<u>6,573,367</u>	<u>(1,851,133)</u>
Expenditures				
Indirect instructional	-	-	-	-
Custodial and maintenance	30,000	30,000	17,552	12,448
Other support services	4,887,500	7,677,500	5,463,577	2,213,923
Capital outlay	<u>717,000</u>	<u>717,000</u>	<u>356,706</u>	<u>360,294</u>
Total Expenditures	<u>5,634,500</u>	<u>8,424,500</u>	<u>5,837,835</u>	<u>2,586,665</u>
Excess of Revenues Over (Under) Expenditures	-	-	735,532	735,532
Fund Balances - July 1	<u>-</u>	<u>-</u>	<u>1,236,698</u>	<u>1,236,698</u>
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,972,230</u>	<u>\$ 1,972,230</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGET BASIS)

EDUCATION FOUNDATION

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

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	\$ -	\$ -	\$ -	\$ -
Other sources	50,000	50,000	10,030	(39,970)
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>10,030</u>	<u>(39,970)</u>
Expenditures				
Direct instructional	50,000	50,000	22,845	27,155
Capital Outlay	-	-	-	-
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>22,845</u>	<u>27,155</u>
Excess of Revenues Over (Under) Expenditures	-	-	(12,815)	(12,815)
Fund Balances - July 1	-	-	12,845	12,845
Fund Balances - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 30</u>

COMBINING STATEMENT OF NET POSITION**COMPONENT UNITS**

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

June 30, 2022

	Villa Bella Expeditionary School	Connect Charter School	Swallows Charter Academy	Total
Assets				
Cash and investments - unrestricted	\$ 1,098,021	\$ 42,660	\$ 3,491,706	\$ 4,632,387
Cash and investments - restricted	-	-	1,172,256	1,172,256
Receivables	229,240	1,854,744	138,307	2,222,291
Prepaid expenses	-	-	24,801	24,801
Assets held by the primary government	112,813	250,581	-	363,394
Capital assets				
Non-depreciable	174,614	330,111	150,912	655,637
Depreciable - net	6,560,455	2,131,160	8,762,066	17,453,681
Total Assets	8,175,143	4,609,256	13,740,048	26,524,447
Deferred Outflow of Resources				
Related to OPEB	7,959	13,993	64,382	86,334
Related to pensions	1,980,823	770,326	1,796,333	4,547,482
Total Deferred Outflows of Resources	1,988,782	784,319	1,860,715	4,633,816
Liabilities				
Accounts and interest payable	23,776	16,454	212,923	253,153
Retainage payable	-	-	54,255	54,255
Accrued salaries	143,741	169,846	312,238	625,825
Due to primary government	127,908	-	-	127,908
Unearned revenue	743	-	4,629	5,372
Long- Term Liabilities				
Due within one year	308,753	100,402	112,004	521,159
Due in more than one year	6,237,207	1,264,305	10,000,000	17,501,512
Net OPEB liability	86,800	105,304	251,886	443,990
Net pension liability	1,804,367	2,287,433	5,206,387	9,298,187
Total Liabilities	8,733,295	3,943,744	16,154,322	28,831,361
Deferred Inflow of Resources				
Related to OPEB	37,640	44,687	88,980	171,307
Related to pensions	678,537	1,483,188	2,516,805	4,678,530
Total Deferred Inflows of Resources	716,177	1,527,875	2,605,785	4,849,837
Net Position				
Investment in capital assets, net of related debt	256,313	1,240,003	(26,770)	1,469,546
Restricted	90,800	69,200	185,000	345,000
Unrestricted	367,340	(1,387,247)	(3,317,574)	(4,337,481)
Total Net Position	\$ 714,453	\$ (78,044)	\$ (3,159,344)	\$ (2,522,935)

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

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
June 30, 2022

	<u>Villa Bella Expeditionary School</u>	<u>Connect Charter School</u>	<u>Swallows Charter Academy</u>	<u>Total</u>
<u>Expenses</u>				
Direct instructional	\$ 1,974,084	\$ 726,859	\$ 2,230,328	\$ 4,931,271
Indirect instructional	488,472	220,380	-	708,852
Transportation	1,246	-	-	1,246
Custodial and maintenance	84,961	22,513	-	107,474
Other support services	88,130	95,907	1,845,713	2,029,750
General administration	38,491	33,102	-	71,593
Interest expense - unallocated	200,687	47,423	528,511	776,621
Total Expenses	<u>2,876,071</u>	<u>1,146,184</u>	<u>4,604,552</u>	<u>8,626,807</u>
<u>Program Revenues</u>				
Charges for services	-	-	9,104	9,104
Operating grants and contributions	363,532	127,173	289,617	780,322
Capital grants and contributions	74,730	-	215,556	290,286
Total Program Revenues	<u>438,262</u>	<u>127,173</u>	<u>514,277</u>	<u>1,079,712</u>
Net (Expense) Program Revenue	<u>(2,437,809)</u>	<u>(1,019,011)</u>	<u>(4,090,275)</u>	<u>(7,547,095)</u>
<u>General Revenues</u>				
School finance act	2,558,277	2,200,118	6,103,048	10,861,443
Interest income	7	12	991	1,010
Other income	244,859	223,151	125,639	593,649
Total General Revenues	<u>2,803,143</u>	<u>2,423,281</u>	<u>6,229,678</u>	<u>11,456,102</u>
Changes in Net Position	365,334	1,404,270	2,139,403	3,909,007
Net Position - July 1 (Restated - Villa Bella)	<u>349,119</u>	<u>(1,482,314)</u>	<u>(5,298,747)</u>	<u>(6,431,942)</u>
Net Position - June 30	<u>\$ 714,453</u>	<u>\$ (78,044)</u>	<u>\$ (3,159,344)</u>	<u>\$ (2,522,935)</u>

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

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2022

	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed Through Colorado Department of Education			
School Breakfast Program	10.553	4553	\$ 1,487,393
National School Lunch Program	10.555	4555, 6555	4,296,829
Summer Food Service Program for Children	10.559	4559	58,018
State Pandemic Electronic Benefit Transfer (P=EBT) Administrative Costs Grant	10.649	4649	3,063
Total Passed Through Colorado Department of Education			<u>5,845,303</u>
Passed Through Colorado Department of Human Services			
School Breakfast Program-Commodities	10.553	4553	34,073
National School Lunch Program-Commodities	10.555	4555	249,870
Total Passed Through Colorado Department of Human Services			<u>283,943</u>
Total Child Nutrition Cluster			<u>6,129,246</u>
Total U.S. Department of Agriculture			<u>6,129,246</u>
<u>U.S. Department of Defense</u>			
Direct Program - Department of the Army			
Reserve Officer Training Corps (ROTC salary reimbursement)	12.Unknown	9001	144,358
Total U.S. Department of Defense			<u>144,358</u>
<u>U.S. Department of Education</u>			
Passed Through Colorado Department of Education			
Special Education - Grants to States	84.027	4027, 5027, 9027	\$ 1,776,412
American Rescue Plan - Special Education - Grants to States	84.027X	6027	376,046
Special Education - Preschool Grant	84.173	4173	24,073
American Rescue Plan - Special Education - Preschool Grant	84.173X	6173	30,886
Total Special Education Cluster			<u>2,207,417</u>
Title 1 - Grants to Local Educational Agencies	84.010	4010	1,217,946
Migrant Education - State Grant Program	84.011	4011	634,208
Colorado Charter Schools - Program & Grant	84.282A	5282	250,552
English Language Acquisition Grants	84.365A	4365, 7365	31,057
Improving Teacher Quality State Grants	84.367	4367	281,149
Comprehensive Literacy State Development	84.371C	5371	14,960
Student Support and Academic Enrichment Program	84.424	4424	77,171
Elementary & Secondary School Emergency Relief Fund	84.425D	4419, 4420, 4425, 5425	3,164,190
American Rescue Plan-Elementary & Secondary School Emergency Relief	84.425U	4414, 9414	4,356,367
American Rescue Plan-Elementary & Secondary School Emergency Relief Homeless Children & Youth	84.425W	8425, 8426	34,366
Total U.S. Department of Education			<u>12,269,383</u>
Passed Through Colorado Community College System			
Career and Technical Education - Basic Grants to States	84.048	4048	53,575
<u>U.S. Department of Health and Human Services</u>			
Passed Through Colorado Department of Education			
Improving Student Health & Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981	7981	746
Total U.S. Department of Health and Human Services			<u>746</u>
Total Federal Assistance			<u>\$ 18,597,308</u>

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2022

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Pueblo County School District No. 70 under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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 B - 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 C - INDIRECT COSTS

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

NOTE D - RISK BASED AUDIT APPROACH

The dollar threshold used to distinguish between Type A and Type B programs is \$750,000. The District does qualify as a low-risk auditee.

NOTE E - FOOD DISTRIBUTION

Commodities donated to the District by the U.S. Department of Agriculture (USDA) of \$227,065 are valued based on the USDA's Donated Commodity Price List.

NOTE F - AMOUNTS AWARDED TO SUB-RECIPIENTS

Included in the total amount expended for the Migrant Education Grant (CFDA #84.011) is \$1,034 that was passed through to two sub-recipients that administered the program in their own Districts.

Garren, Ross & DeNardo, Inc.

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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 21, 2023

Board of Education
Pueblo County School District No. 70
Pueblo, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pueblo County School District No. 70 (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 21, 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-006 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*.

Board of Education
Pueblo County School District No. 70

Pueblo County School District No. 70's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Arron Ross & DeNardo, 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 21, 2023

Board of Education
Pueblo County School District No. 70
Pueblo, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pueblo County School District No. 70'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, 2021.

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 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 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 on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about 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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

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 an 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.

Board of Education
Pueblo County School District No. 70

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.

Darren Ross & DeHardo, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2022

SECTION I - SUMMARY OF AUDIT RESULTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

 yes x no

Federal Awards

Internal control over major programs:

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

Type of auditor's reported 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)?

 x 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	American Rescue Plan- Elementary & Secondary School Emergency Relief Fund
84.425W	American Rescue Plan- Elementary & Secondary School Emergency Relief Fund
	Homeless Children & Youth

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

2022-001 Capital Asset Expenditures

Condition and Context:

Some purchases were coded to incorrect budget codes. Reimbursements for capital purchases from charter school was not properly recorded.

Criteria:

The current controls that the District has in place should be followed. Coding of capital purchases should be reviewed for accuracy. A review of agreements and/or transactions should be made by the proper department when capital purchases are paid by the District with the understanding they will be reimbursed by the charter school.

Cause:

Only a portion of the transaction relating to a charter school capital purchases was recorded. Errors in coding of capital expenditures result in incorrect capitalization of capital assets. The review of coding capital assets to the 0700 accounts should be reviewed and adhered to.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2022-001 Capital Asset Expenditures (Continued)

Effect:

When procedures and proper review are not followed it could result in the transaction not being fully recorded. Incorrect coding of capital assets can cause errors in accounting for depreciable assets based on the District's capitalization policy.

Recommendation:

The District should follow internal control procedures when recording capital assets and agreements between charter schools.

Response:

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

2022-002 Reconciliation of Payroll Reports

Condition and Context:

Payroll reports should be reconciled to the underlying payroll records and general ledger posting.

Criteria:

The current controls that the District has in place should be followed. Differences were noted between the payroll reports and the underlying payroll records in multiple reporting quarters.

Cause:

Reconciliations between the underlying payroll records and the payroll reports were not completed prior to filing the reports which can cause discrepancies with the end of year reporting requirements.

Effect:

When reconciliations are not completed each quarter it can result in discrepancies at the end of year when annual reports (ie., W-2's) are completed leading to notices from federal and state regulatory agencies.

Recommendation:

The District should follow internal control procedures which includes reconciliation of payroll transaction and reporting documents.

Response:

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

2022-003 Salary Contract Testing

Condition and Context:

Contracts for an identified charter school and some stipends were not included in the iVision program. Instances of employee acceptance were not always documented in the iVision program. Of the contracts tested during fieldwork, instances occurred where payroll data and information in iVision program were not in agreement.

Criteria:

The current controls that the District has in place should be followed. The contract and any changes to an employees contract should be updated in the iVision program to ensure proper payment of payroll and allocation of expenditure to the proper fund, program and if applicable, grant.

Cause:

Inconsistencies between the payroll data in iVision program and contracts can lead to incorrect payment of an employee's salary as well as expenditure coding in the general ledger.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2022-003 Salary Contract Testing (Continued)

Effect:

Not following established internal control procedures could have resulted in errors processing payroll.

Recommendation:

The District should follow internal control procedures to ensure all relevant contract information is available and uploaded correctly to ensure proper payment and coding.

Response:

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

2022-004 Charter Schools Transactions

Condition and Context:

Transactions should be recorded directly in funds 11 and 12 unless CDE mandates certain identified transactions to also flow through the School District.

Criteria:

Procedures should be established and followed to have all transactions recorded directly to funds 11 and 12.

Cause:

Procedures were not completely followed to ensure all transactions were posted directly to fund 11 or 12 which causes some transaction to not be properly recorded in each fund.

Effect:

Not following established procedures results in errors relating to posting of transactions between the School District and fund 11 and 12 charter schools.

Recommendation:

The District should follow procedures to ensure consistent recording of transactions to fund 11 and 12.

Response:

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

2022-005 Formalizing Process to Produce Monthly Financial Statements
(Repeat Finding 2021-002)

Condition and Context:

A protocol should be in place to ensure key financial statement accounts are reconciled and adjusted on a monthly basis. A review process should be timely and completed each month.

Criteria:

Procedures for key financial statement accounts to ensure they are reconciled and adjusted on a monthly basis with adequate review time.

Cause:

Reconciliation and review of key financial statement accounts were not completed on a monthly basis which causes some errors in the monthly financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2022-005 Formalizing Process to Produce Monthly Financial Statements (Continued)

Effect:

Not following protocol to review and reconcile key financial statement accounts results in some errors in the monthly financial statements.

Recommendation:

Improvements were made with this process. The District should continue to work on their processes to ensure key financial statement accounts are reconciled and reviewed on a monthly basis.

Response:

The District will continue to review procedures to ensure key financial statement accounts are reconciled and reviewed on a monthly basis.

2022-006 Reimbursement claim forms/reports

(Repeat finding 2021-003)

Condition and Context:

Reimbursement claim forms/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. Grant administrators should verify their records and any variances should be investigated and corrected on a timely basis.

Criteria:

The current controls that the District have in place should be followed. 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 control in place were not followed at times and the underlying expenditures requested for reimbursement were not reconciled with 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. The District has had this control in place for years in an effort to ensure that grant reporting is accurate and corresponds to general ledger totals reflected in the financial statements.

Response:

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

SECTION III - FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2022

SECTION IV - PRIOR YEAR FINDINGS

2018-009 Reimbursement claim forms/reports

Condition and Context:

During the prior year audit we noted instances of duplicating expenditures and reimbursement requests that were not received by the District and the discrepancies were not identified in a timely manner. We also identified a discrepancy on the reimbursement reports relating to the line "previously reported funds" which was overstated. This discrepancy resulted in the District not using their total grant award. The District had contacted the granting agency to try and rectify this discrepancy.

Recommendation:

Reimbursement claim forms/reports submitted for government grants should be reconciled to the detailed transactions recorded in the general ledger and to previously submitted report totals prior to submitting such claims. The claims also need to be traced to receipt. The District has had this control in place for years in an effort to ensure that grant reporting is accurate and corresponds to general ledger totals reflected in the financial statements.

Current Status:

Partially implemented

This finding was reported as 2020-007 in 2020. This finding is reported as 2021-003 in 2021. The District made significant improvements in the current year and is continuing to work on improving their procedures for accurate reporting and requests to the proper grant agency. No instances or discrepancies noted in the current year relating to identified major programs.

SCHEDULE OF FISCAL YEAR SPENDING COMPUTATIONS

PURSUANT TO ARTICLE X, SECTION 20

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2022

1.	Total Fiscal Year Expenditures for All Funds Listed (Expenditures, plus changes in fund balances, less transfers)		
	a. General Fund (includes Preschool, Insurance Reserve and Capital Reserve Funds)	\$	89,658,001
	b. Governmental Designated-Purpose Grants Fund		12,927,602
	c. Pupil Athletic Fund (Special Revenue Fund)		1,741,453
	d. Bond Redemption Fund		11,104,092
	e. Food Service Fund		6,573,367
	f. Charter Schools (Connect School and Villa Bella)		5,714,913
	g. Pupil Activity Fund (Special Revenue Fund)		2,214,877
	h. Capital Projects Fund		<u>21,227,250</u>
	Total Fiscal Year Expenditures	\$	151,161,555
2.	Deduct the Following Expenditures Included in Above Totals		
	a. Expenditures from Gifts/Foundations		2,715,525
	b. Expenditures from Federal Revenue		20,109,396
	c. Revenue Transfers		234,991
	d. Expenditures from Designated Reserves		19,418,450
	e. Expenditures from Proceeds of Damage Awards		3,870
	f. Expenditures from the Sale of School Property		396,370
	g. Other Sources, Additions, and Debt Proceeds		<u>17,840,432</u>
	Total Fiscal Year Deductions		<u>60,719,034</u>
3.	Total Spending Subject to TABOR for FYE 6-30-2022	\$	<u>90,442,521</u>
4.	Total Spending Subject to TABOR for FYE 6-30-2021	\$	80,504,663
5.	Percentage Change in Denver/Boulder CPI	1.951	%
6.	Percentage Change in Student Enrollment	<u>(0.707)</u>	%
7.	Total Percentage Change	<u>1.244</u>	%
8.	Change in Permitted Spending Based on Percentage Changes		<u>1,001,478</u>
9.	Maximum Spending Subject to TABOR for FYE 6-30-2022	\$	<u>81,506,141</u>
10.	FYE 6-30-2022 Spending Over (Under) Allowable Amount	\$	<u>8,936,380</u>

Note - the School District passed a referendum regarding revenue and spending limitations on November 4, 1997.

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
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2022

	Balance Per ADE	Recognize Activities Fund for Charter Schools	Included Capital Reserve Insurance Funds Held by District on Behalf of Ville Bella and Connect Charters	Included Designated Grants Fund and Building Fund Activity on Behalf of Ville Bella and Connect Charters	Rounding	Locations 951 and 952 Swallows Charter School Unreconciled Amounts	Balance Per Governmental Fund Financial Statements
Connect Charter School / Component Unit							
Beginning fund balance / Net position	\$ 1,550,493	\$ -	304,546	-	-	-	1,855,039
Revenues	2,352,564	12,342	91,440	211,448	(1)	-	2,667,793
Expenditures	2,198,387	21,932	129,216	211,448	-	-	2,560,983
Ending fund balance	1,704,670	-	257,179	-	-	-	1,961,849
Villa Bella Expeditionary School/Component Unit							
Beginning fund balance	429,085	-	179,577	33,913	-	-	642,575
Revenues	3,362,350	116,211	(100,512)	244,804	-	-	3,622,853
Expenditures	2,750,373	93,847	-	267,333	-	-	3,111,553
Ending fund balance	1,041,062	-	112,813	-	-	-	1,153,875
Swallows Charter Academy/Component Unit							
Beginning fund balance / Net position	2,211,941	-	-	-	-	4,464,351	6,676,292
Revenues	7,234,012	-	-	-	-	(94,495)	7,139,517
Expenditures	6,240,096	-	-	-	-	3,272,908	9,513,004
Ending fund balance	3,205,856	-	-	-	-	1,096,949	4,302,805
General Fund							
Revenues	87,018,503	-	-	-	1	-	87,018,504
Expenditures	82,732,175	-	-	-	1	-	82,732,176
Bond Redemption Fund							
Revenues	11,104,093	-	-	-	(1)	-	11,104,092
Pupil Athletic - Special Revenue Fund							
Beginning fund balance	95,714	-	-	-	(1)	-	95,713
Special Revenue Funds 20, 26-29							
Ending fund balance	1,553,674	-	-	-	1	-	1,553,675
Govt. Designated Purpose Grant							
Beginning fund balance	577,763	-	-	-	1	-	577,764
Revenues	13,127,716	-	-	-	(1)	-	13,127,715

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
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2022

	<u>Balance Per ADE</u>	<u>Rounding</u>	<u>Categories Shown Separate on Combining Balance Sheet</u>	<u>Due To/From Netted When Combining General, Insurance and Preschool Funds</u>	<u>Balance per Governmental Fund Financial Statements</u>
Bolded Balance Sheet Report					
General Fund/Preschool Fund					
Cash and investments	25,305,567	-	774,573	-	26,080,140
Cash with fiscal agent	-	-	-	-	-
Taxes receivable	2,153,527	-	(2,153,527)	-	-
Receivables	-	-	2,261,315	-	2,261,315
Due from other funds	6,360,562	-	(127,908)	(4,723,846)	1,508,808
Grants accounts receivable	10,942	-	(10,942)	-	-
Other receivables	743,510	1	(743,511)	-	-
Total assets	34,606,637	1	-	(4,723,846)	29,882,792
Due to other funds	6,713,889	-	(1,988,403)	(4,723,846)	1,640
Due to component unit	-	-	1,988,403	-	1,988,403
Other payables	236,648	2	(3,579)	-	233,071
Payroll Ded. and withholdings	(419)	-	3,579	-	3,160
Total liabilities and deferred inflow	15,244,564	2	-	(4,723,846)	10,520,720
Restricted	-	-	2,569,475	-	2,569,475
Tabor Reserve	2,564,100	-	(2,564,100)	-	-
Assigned	4,420,219	-	(5,375)	-	4,414,844
Unassigned	12,345,225	(1)	-	-	12,345,224
Total liabilities and fund balances	34,606,637	1	-	(4,723,846)	29,882,792
Debt Service Funds					
Cash and investments	16,485,686	-	245,748	-	16,731,434
Taxes receivable	672,791	-	(672,791)	-	-
Receivables	-	-	427,043	-	427,043
Food Service Special Revenue Fund					
Grants accounts receivable	694,094	-	(694,094)	-	-
Other receivables	153,605	-	694,094	-	847,699
Unearned revenue	91,284	(1)	73,933	-	165,216
Grants deferred revenue	73,933	-	(73,933)	-	-
Restricted	-	-	13,900	-	13,900
Tabor Reserve	13,900	-	(13,900)	-	-
Bolded Balance Sheet Report					
Special Revenue Funds					
Cash and investments	1,808,987	(1)	-	-	1,808,986
Grants accounts receivable	3,063,931	-	(3,063,931)	-	-
Receivables	6,629	-	3,063,931	-	3,070,560
Total assets	4,963,515	(1)	-	-	4,963,514
Interfund payables	1,591,722	-	(642)	-	1,591,080
Due to component unit	-	-	642	-	642
Other payables	291,646	(1)	-	-	291,645
Accrued expenses	798,436	-	(395)	-	798,041
Payroll Ded. And withholdings	(395)	-	395	-	-
Unearned revenue	-	-	57,611	-	57,611
Grants Deferred Revenue	57,611	-	(57,611)	-	-
Total Liabilities	2,739,021	(2)	-	-	2,739,019
Restricted fund balance	103,071	-	59,600	-	162,671
Tabor 3% emergency reserve	59,600	-	(59,600)	-	-
Assigned fund balance	2,061,823	1	71,496	-	2,133,320
Unassigned fund balance	-	-	(71,496)	-	(71,496)

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
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2022

Charter School / Component Unit	Balance Per <u>ADE</u>	<u>Rounding</u>	Connect and Villa Bella Capital Reserve Insurance and Activity Funds Combined on the Balance <u>Sheet</u>	Categories Shown Separate on Combining Balance <u>Sheet</u>	Balance per Governmental Fund Financial <u>Statements</u>
<u>Villa Bella Location 911 and 922</u>					
Cash and investments	1,098,016	1	-	4	1,098,021
Cash with fiscal agent	4	-	-	(4)	-
Interfund loans receivable	22,944	-	-	(22,944)	-
Grants receivable	200,113	-	-	(200,113)	-
Other receivables	6,183	-	-	223,057	229,240
Assets held by the primary government	-	-	112,813	-	112,813
Total assets	1,327,260	1	112,813	-	1,440,074
Assigned fund balance	-	-	101,429	-	101,429
Unassigned fund balance	950,262	-	11,384	-	961,646
Total fund equity	1,041,062	-	112,813	-	1,153,875
Total Liabilities and Fund Equity	1,327,261	-	112,813	-	1,440,074
<u>Connect Location 921</u>					
Interfund loans receivable	1,848,146	-	-	(1,848,146)	-
Receivables	-	-	6,598	1,848,146	1,854,744
Assets held by the primary government	-	-	250,581	-	250,581
Total assets	1,890,806	-	257,179	-	2,147,985
Accrued expenses	169,845	1	-	-	169,846
Total Liabilities	186,135	1	-	-	186,136
Assigned fund balance	-	-	38,974	-	38,974
Unassigned fund balance	1,635,470	-	218,205	-	1,853,675
Total fund equity	1,704,670	-	257,179	-	1,961,849
Total Liabilities and Fund Equity	1,890,805	1	257,179	-	2,147,985

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
PUEBLO COUNTY SCHOOL DISTRICT NO. 70
For the year ended June 30, 2022

Charter School / Component Unit	Balance Per ADE	Rounding	Swallows Building Corporation Included on Combining Balance Sheet	Categories Shown Separate on Combining Balance Sheet	Swallows Unreconciled Balances	Balance per Governmental Fund Financial Statements
<u>Swallows Location 951 and 952</u>						
Cash and investments	\$ 3,434,743	\$ -	\$ -	\$ 56,963	\$ -	\$ 3,491,706
Cash with fiscal agent	56,963	-	-	(56,963)	-	-
Restricted Cash and investments	-	-	1,172,256	-	-	1,172,256
Interfund loans receivable	190,813	-	-	(81,665)	(109,148)	-
Due from District	-	-	-	81,665	-	81,665
Other receivables	20,994	-	-	-	35,648	56,642
Total assets	3,728,314	-	1,172,256	-	(73,500)	4,827,070
Interfund payable	72,859	-	-	-	(72,859)	-
Other payables	136,454	-	20,410	(3,721)	-	153,143
Retainage payable	-	-	54,255	-	-	54,255
Accrued expenses	309,604	-	-	2,634	-	312,238
Payroll ded. and withholdings	163	-	-	(163)	-	-
Other current liabilities	(1,250)	-	-	1,250	-	-
Total Liabilities	522,459	-	74,665	-	(72,859)	524,265
Non-spendable fund balance	-	-	-	24,801	-	24,801
Tabor 3% emergency reserve	188,647	-	-	-	(3,647)	185,000
Restricted for debt service	-	-	1,097,591	-	-	1,097,591
Committed fund balance	24,801	-	-	(24,801)	-	-
Unassigned fund balance	2,992,409	-	-	-	3,004	2,995,413
Total fund equity	3,205,857	-	1,097,591	-	(643)	4,302,805
Total Liabilities and Fund Equity	3,728,316	-	1,097,591	-	1,163	4,827,070

The accompanying notes are an integral part of this schedule.

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

PUEBLO COUNTY SCHOOL DISTRICT NO. 70

For the year ended June 30, 2022

	<u>Sources 0594-0595</u>	<u>Sources 1954,3954,4954</u>		<u>Explanation</u>
Warnings				
Sources 1954,3954,4954 out of balance with sources 0594-0595	988,541.49	1,048,260.89	(59,719.40)	
			(105,477.03)	Swallows - Unreconciled balance
			50,438.73	Grant code 5282 receivable from June 30, 2021
			(10,640.74)	Grant code 4420 adjusted payable at June 30, 2022
			5,959.64	Funds from Swallows classified in source code 0390
			(59,719.40)	
	<u>Formula Driven Balance</u>	<u>Actual Fund Balance 30-Jun-21</u>		
Beginning Fund Balance Fund 11	4,191,519.11	8,655,870.05	(4,464,350.94)	This is unreconciled and it all relates to Swallows Charter Academy
	<u>Balance Per CDE</u>	<u>Balance Per District</u>	<u>Variance</u>	
<u>Charter School Cap Construction</u>				
Grant Code: 3113				
Receipts	\$ 370,077.65	\$ 585,633.72	\$ (215,556.07)	This is the allocation to Swallows - unreconcilable
<u>State ECEA</u>				
Grant Code: 3130				
Receipts	\$ 2,967,830.04	\$ 2,969,701.98	\$ (1,871.94)	Funding passed through to Villa Bella Expeditionary Charter School - Deferred Revenue
			\$ 2,538.04	Receivable at June 30, 2021
			\$ (4,409.98)	Receivable at June 30, 2022
			\$ (1,871.94)	
<u>English Language Proficiency</u>				
Grant Code: 3140				
Receipts	\$ 61,467.62	\$ 62,199.37	\$ (731.75)	Funding passed through to Villa Bella Expeditionary Charter School - Deferred Revenue
<u>PCH Fire Prot Safety Upgrade</u>				
Grant Code: 3189				
Receipts	\$ 1,369,801.38	\$ 1,855,839.38	\$ (486,038.00)	
			\$ 330,035.81	Receivable at June 30, 2021
			\$ (816,073.81)	Receivable at June 30, 2022
			\$ (486,038.00)	
<u>Title I Part A</u>				
Grant Code: 4010				
Receipts	\$ 1,348,283.87	\$ 1,246,940.99	\$ 101,342.88	June 2023 CDE payment posted by District in July 2023
<u>IDEA Part B</u>				
Grant Code: 4027				
Receipts	\$ 1,749,069.08	\$ 1,748,020.08	\$ 1,049.00	Allocated to private school grant code 9027
<u>Charter School Program</u>				
Grant Code: 5282				
Receipts	\$ 50,438.73	\$ (99,235.90)	\$ 149,674.63	
			\$ 50,438.73	Receivable at June 30, 2021
			\$ (200,113.36)	Receivable at June 30, 2022
			\$ (149,674.63)	
<u>Colo. Comp. State Literacy</u>				
Grant Code: 5371				
Receipts	\$ 7,473.18	\$ -	\$ 7,473.18	June 2023 CDE payment posted by District in July 2023

The accompanying notes are an integral part of this schedule.