

South Routt School District RE-3

Financial Report

June 30, 2022



South Routt School District RE-3

**South Routt School District RE-3
Financial Report
June 30, 2022**

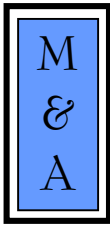
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INDEPENDENT AUDITOR'S REPORT

**To the Board of Education
South Routt School District RE-3
Oak Creek, Colorado**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Routt School District RE-3 (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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INDEPENDENT AUDITOR'S OPINION
To the Board of Education
South Routt School District RE-3
Oak Creek, Colorado

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 U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

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

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

Required Supplementary Information

U.S. GAAP require Management's Discussion and Analysis in section B, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of the District's Proportionate Share of the Other Post-Employment Benefits Liability, the Schedule of District Other Post-Employment Benefits Contributions, and the Notes to the Requirement Supplementary Information in Section E, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in section B in accordance with U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S OPINION
To the Board of Education
South Routt School District RE-3
Oak Creek, Colorado

Required Supplementary Information (continued)

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information in section E is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements, individual fund budgetary information, and the Schedule of Expenditures of Federal Awards as required by *Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* included in the Single Audit Section listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements, individual fund budgetary information, and the Schedule of Expenditures of Federal Awards included in the Single Audit Section listed in the accompanying table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the introductory section, combining fund financial statements, individual fund budgetary information, the statistical section, and the Schedule of Expenditures of Federal Awards included in the Single Audit Section listed in the accompanying table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 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 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 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 on compliance.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
March 1, 2023

South Routt School District RE-3
Management's Discussion and Analysis



South Routt School District RE-3 Management's Discussion and Analysis June 30, 2022

As management of South Routt School District RE-3 (the "District"), we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the District's financial statement, which follow this section.

Financial Highlights

The District had the following financial results in 2022:

- The District's General Fund balance at the end of fiscal year 2022 was \$4,533,520. This is an increase from the prior year of \$1,124,270.
- Total revenues for 2022 grew \$6,820,726 from 2021, while aggregate expenses also grew \$7,492,901.
- The District's ending General Fund balance consists of 36% of the current year expenditures and outgoing transfers.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of activities.

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

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event effecting the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and changes in long-term compensated absences).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The category that is reported in the District-wide financial statements is as follows:

- **Governmental activities:** All of the District's basic services are included here, such as instructional services, transportation services, support services, food services, and student activities.

The government-wide financial statements can be found on pages C1 and C2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the operations of the District by fund instead of the District as a whole. All of the funds of the District are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on current sources and uses of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The District's most significant, or "major" governmental funds include the General Fund, the Bond Redemption Fund, Capital Reserve Fund, and the Supplemental Capital Construction, Technology and Maintenance Fund.

The District adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with state budget statutes.

The basic major governmental fund statements start on page C3.

Notes to the Financial Statements

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.

As noted earlier, net position may serve over time as a useful indicator of a district's financial position. For the year ended June 30, 2022, the District's total net position was \$6,085,079, which included the District's net pension liability of \$5,964,975 and net other post-employment benefits ("OPEB") liability of \$288,102. The net pension and OPEB liabilities are the District's proportionate share of the School Division Trust Fund pension liability and Health Care Trust Fund's collective OPEB liability, respectively, administered by the Public Employees' Retirement Association of Colorado. This was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the total pension and OPEB liabilities to December 31, 2021.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The assets of the District are classified as current assets and capital assets. Current 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 process, with the majority of these taxes received in March, May, and June.

Capital assets are made up of land, buildings, and equipment/vehicles. Current and long-term liabilities are classified based upon anticipated liquidation, either in the near-term or in the future

Summary of Net Position

The following table provides a summary of the District's net position as of the fiscal year ended June 30, 2022.

South Routt School District RE-3's Net Position

| | Governmental Activities | |
|--|------------------------------------|-------------------|
| | 2022 | 2021 |
| Assets: | | |
| Current and other assets | \$ 7,133,790 | 8,378,620 |
| Capital assets, net | 8,657,336 | 9,155,880 |
| Total Assets | 15,791,126 | 17,534,500 |
| Deferred outflow of resources | 1,533,929 | 1,929,995 |
| Liabilities: | | |
| Other liabilities | 1,700,954 | 3,735,069 |
| Long-term liabilities | 6,351,273 | 8,239,782 |
| Total Liabilities | 8,052,227 | 11,974,851 |
| Deferred inflow of resources | 3,187,749 | 4,413,653 |
| Net Position: | | |
| Invested in capital assets, net of related debt | 8,657,336 | 8,738,805 |
| Restricted | 622,000 | 739,079 |
| Unrestricted | (3,194,257) | (6,401,893) |
| Total Net Position | \$ 6,085,079 | 3,075,991 |

Of the District's total assets, 55% are capital assets (e.g. land, buildings, and equipment). The District uses these assets to provide instruction and related services to its students.

Other liabilities decreased due to the use of the June 30, 2021 deferred revenue of \$2.9 million related to the Connecting Colorado Broadband grant, a project the District oversaw in 2022.

Long-term liabilities decreased leading to an increase in Net Position due to a reduction of \$1,469,320 in the District's proportionate share of PERA's net pension liability. See more information on the pension and other-post employment benefit liabilities in the Notes to the Financial Statements.

Summary of Activities

Net position for governmental activities increased by \$3,009,088. The following graph summarizes the District's change in net position:

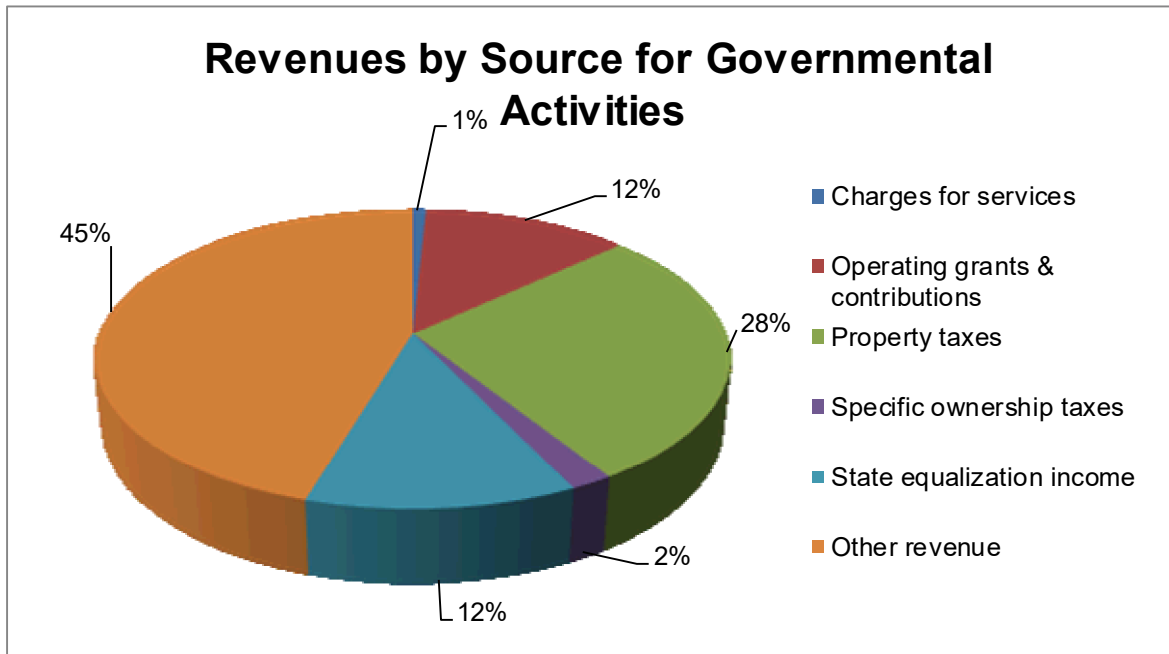
South Rount School District RE-3's Net Position

| | Governmental Activities | |
|---|----------------------------|------------------|
| | 2022 | 2021 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 111,807 | 152,010 |
| Operating grants & contributions | 1,835,034 | 1,029,770 |
| Capital grants & contributions | - | 476,848 |
| General revenues: | | |
| Property taxes | 4,115,699 | 3,872,136 |
| Specific ownership taxes | 275,901 | 274,417 |
| State equalization income | 1,737,305 | 1,514,678 |
| Grants and contributions not restricted to specific programs | 6,716,186 | 660,031 |
| Investment income | 12,988 | 5,980 |
| Gain on disposal of assets | 1,676 | - |
| Total Revenues | 14,806,596 | 7,985,870 |
| Expenses: | | |
| Direct instruction | 9,380,506 | 2,137,627 |
| Indirect instruction | 333,742 | 297,519 |
| General administration | 517,946 | 427,740 |
| Support services | 249,882 | 397,049 |
| Custodial and maintenance | 589,230 | 517,960 |
| Transportation | 277,271 | 222,784 |
| Food service | 183,370 | 144,010 |
| Student activities | 258,261 | 138,316 |
| Interest on long-term debt | 7,300 | 21,602 |
| Total Expenses | 11,797,508 | 4,304,607 |
| Change in Net Position | 3,009,088 | 3,681,263 |
| Net Position - Beginning of Year | 3,075,991 | (605,272) |
| Net Position - End of Year | \$ 6,085,079 | 3,075,991 |

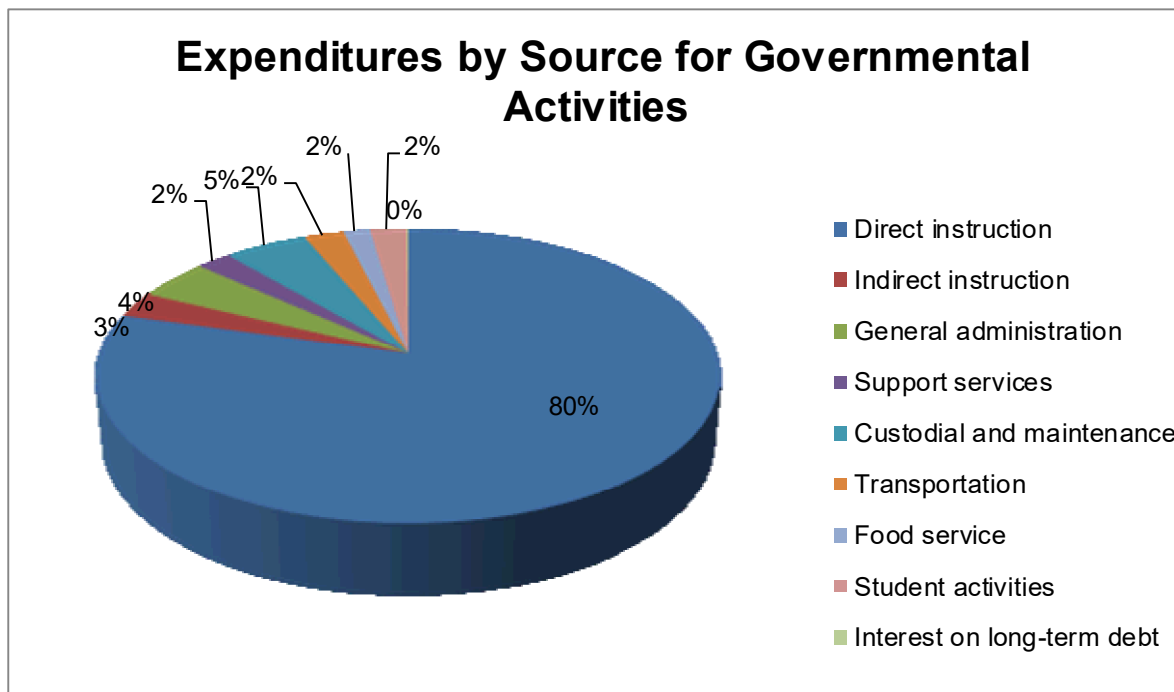
Property taxes, specific ownership tax, and per pupil state formula revenue (School Finance Act- State Equalization) account for most of the District's revenue. The remainder comes from grants and contributions with the remainder from fees charged for services and miscellaneous sources.

The District's expenses predominantly relate to instruction and support services, which include support for students and instructional staff, administration, operations and maintenance, and transportation. Given that the District is a service organization providing education services to students, the majority of the expenses are paid in the form of compensation (salaries and benefits) to the District's employees. A portion of the increase in net position is attributed to the reduction in the District's proportionate share of PERA's pension and other post-employment benefit liabilities.

The following chart displays the revenues by source for the total District:



The following chart displays the expenses by source for the total District:



Financial Analysis of the District's Funds: As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned balances may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. The District did increase its unassigned balance, or fund balance, at the end of this fiscal year; a focus must be made to make an increase each year to that balance to ensure the fiscal health of the District.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,139,656. This is an increase of \$628,035 from the prior year ending fund balances. The increase mainly relates to an increase in both grants received and local donations in support of various District projects.

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 original budget is prepared based on a conservative estimate of enrolled students. This guarantees the District does not overstaff or overextend its financial capabilities. The District's student count experiences significant fluctuations due largely to changes in the local coal and ranching industry. The District budgeted a large contingency to ensure the District was able to stay "live within the District's means".

One of the most important variances to discuss is budgeted versus actual revenues and expenditures in the General Fund. Actual revenues were favorable to the final budget by \$3,748,282 primarily due to conservative budgeting for property and specific ownership taxes and grants. Actual expenditures were unfavorable to the final budget by \$2,400,153 primarily due to the expenses incurred relating to the broadband project, which was funded by a grant..

Capital Assets: The District's investment in capital assets for governmental activities as of June 30, 2022 amounts to \$8,657,336, (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, equipment, and vehicles.

Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement section of this report.

Long-Term Debt: As of June 30, 2022, the District had an outstanding debt of \$6,351,273 consisting of the District's net pension and OPEB liabilities and compensated absences payable. The District's net pension liability decreased \$1,469,320, while the net OPEB liability increased \$17,650 from the previous year.

Additional information as well as a detailed classification of the District's long-term liabilities can be found in the Notes to the Financial Statement section of this report.

Economic Factors: The Public School Finance Act is the largest source of revenue for the District's operating funds. The School Finance Act calculates per-pupil funding by school District based upon a formula that takes into consideration the cost of living, number of students, District size, personnel vs. non-personnel, and number of at-risk students. The purpose of this act was to establish a financial base of support for public education, to move towards a uniform mill levy tax statewide for all Districts, and to limit future growth of and reliance upon property tax to support public education. Funding sources for the School Finance Act is derived by the following formula:

Total Program Funding = local property taxes + general specific ownership taxes + state equalization.

Next Year's Budget and Rates: The District's General Fund balance at the end of fiscal year 2022 was \$4,533,520. The fiscal year 2023 budget anticipates a decrease of \$285,000 for a projected June 30, 2023 balance of \$4,248,520 .

Request for Information:

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

South Routt School District RE-3
Finance/Business Manager
P.O. Box 158
Oak Creek, CO 80467

South Routt School District RE-3

Basic Financial Statements



South Rount School District RE-3
Statement of Net Position
June 30, 2022

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Current Assets: | |
| Cash and cash equivalents | 475,425 |
| Investments | 5,822,387 |
| Accounts receivable, net: | |
| Taxes | 387,337 |
| Other governments | 428,843 |
| Other | 12,556 |
| Inventory | 7,242 |
| Total Current Assets | 7,133,790 |
| Capital Assets: | |
| Land | 1,082,075 |
| Land improvements | 670,719 |
| Construction in progress | 12,642 |
| Buildings and improvements | 23,387,715 |
| Vehicles and equipment | 1,208,674 |
| Less: Accumulated depreciation | (17,704,489) |
| Total Capital Assets | 8,657,336 |
| Total Assets | 15,791,126 |
| Deferred Outflows of Resources | |
| Related to pension | 1,436,952 |
| Related to other post-employment benefits ("OPEB") | 96,977 |
| Total Deferred Outflows of Resources | 1,533,929 |
| Liabilities: | |
| Current Liabilities: | |
| Accounts payable and accrued expenses | 292,933 |
| Contracts and retainage payable | 205,132 |
| Accrued compensation | 596,980 |
| Unearned revenue | 605,909 |
| Total Current Liabilities | 1,700,954 |
| Noncurrent Liabilities: | |
| Accrued compensated absences | 98,196 |
| Net pension liability | 5,964,975 |
| Net other post-employment benefits liability | 288,102 |
| Total Noncurrent Liabilities | 6,351,273 |
| Total Liabilities | 8,052,227 |
| DEFERRED INFLOWS OF RESOURCES: | |
| Deferred property taxes | 148,504 |
| Related to pension | 2,865,790 |
| Related to other post-employment benefits ("OPEB") | 173,455 |
| Total deferred inflows of resources | 3,187,749 |
| Net Position: | |
| Net investment in capital assets | 8,657,336 |
| Restricted for: | |
| Emergencies | 378,000 |
| Multi-year obligations | 244,000 |
| Unrestricted | (3,194,257) |
| Total net position | 6,085,079 |

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

**South Routt School District RE-3
Statement of Activities
For the Year Ended June 30, 2022**

| <u>Functions / Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Change in Net Position</u> |
|--|-------------------|---------------------------------|---|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities: | | | | | |
| Direct instruction | 9,380,506 | 90,775 | 1,231,674 | - | (8,058,057) |
| Indirect instruction | 333,742 | - | 4,000 | - | (329,742) |
| General administration | 517,946 | - | - | - | (517,946) |
| Support services | 249,882 | - | 14,898 | - | (234,984) |
| Custodial and maintenance | 589,230 | - | - | - | (589,230) |
| Transportation | 277,271 | - | 88,729 | - | (188,542) |
| Food service | 183,370 | 21,032 | 152,867 | - | (9,471) |
| Student activities | 258,261 | - | 212,633 | - | (45,628) |
| Community service | - | - | 130,233 | - | 130,233 |
| Interest on long-term debt | 7,300 | - | - | - | (7,300) |
| Total governmental activities | <u>11,797,508</u> | <u>111,807</u> | <u>1,835,034</u> | <u>-</u> | <u>(9,850,667)</u> |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes - Levied for general operations | | | | | 4,115,699 |
| Specific ownership taxes | | | | | 275,901 |
| State equalization income | | | | | 1,737,305 |
| Grants and contributions not restricted to specific programs | | | | | 6,716,186 |
| Investment income | | | | | 12,988 |
| Gain on disposal of assets | | | | | 1,676 |
| Total general revenues | | | | | <u>12,859,755</u> |
| Change in net position | | | | | 3,009,088 |
| Net Position - Beginning | | | | | <u>3,075,991</u> |
| Net Position - Ending | | | | | <u>6,085,079</u> |

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

**South Routt School District RE-3
Balance Sheet
Governmental Funds
June 30, 2022**

| | General Fund | Bond Redemption Fund | Capital Reserve Fund | Supplemental Capital Construction, Technology and Maintenance Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|-------------------------|-------------------------------------|-------------------------------------|---|---|---|
| Assets: | | | | | | |
| Cash and cash equivalents | 427,661 | - | - | - | 47,764 | 475,425 |
| Investments | 5,533,198 | 289,189 | - | - | - | 5,822,387 |
| Accounts receivable, net: | | | | | | |
| Taxes | 195,501 | - | - | 41,704 | 5,456 | 242,661 |
| Other governments | 416,227 | - | - | - | 12,616 | 428,843 |
| Other | 12,556 | - | - | - | - | 12,556 |
| Due from other funds | - | - | - | 426,782 | 139,731 | 566,513 |
| Inventories | - | - | - | - | 7,242 | 7,242 |
| Total Assets | 6,585,143 | 289,189 | - | 468,486 | 212,809 | 7,555,627 |
| Liabilities: | | | | | | |
| Accounts payable and accrued expenses | 250,391 | - | - | 11,544 | 30,998 | 292,933 |
| Contracts and retainage payable | - | - | - | 205,132 | - | 205,132 |
| Accrued salaries | 543,852 | - | - | - | 53,128 | 596,980 |
| Due to other funds | 542,290 | 23,858 | 306 | - | 59 | 566,513 |
| Unearned revenue | 598,265 | - | - | - | 7,644 | 605,909 |
| Total Liabilities | 1,934,798 | 23,858 | 306 | 216,676 | 91,829 | 2,267,467 |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable property taxes | 116,825 | - | - | 29,982 | 1,697 | 148,504 |
| Fund Balances: | | | | | | |
| Non-spendable: | | | | | | |
| Inventories | - | - | - | - | 7,242 | 7,242 |
| Restricted: | | | | | | |
| TABOR | 378,000 | - | - | - | - | 378,000 |
| Multi-year obligations | 244,000 | - | - | - | - | 244,000 |
| Committed: | | | | | | |
| Food service | - | - | - | - | 3,511 | 3,511 |
| Capital projects | - | - | - | 221,828 | - | 221,828 |
| Assigned | - | - | - | - | 1 | 1 |
| Capital projects | - | - | - | - | 108,529 | 108,529 |
| Unassigned | 3,911,520 | 265,331 | (306) | - | - | 4,176,545 |
| Total Fund Balances | 4,533,520 | 265,331 | (306) | 221,828 | 119,283 | 5,139,656 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | 6,585,143 | 289,189 | - | 468,486 | 212,809 | 7,555,627 |

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

South Rount School District RE-3
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

| | | |
|---|--|-------------------------|
| Governmental Funds Total Fund Balance | | 5,139,656 |
| <i>Add:</i> | | |
| Property taxes receivable will be collected this calendar year, but are not available soon enough to pay for the current period's expenditures and therefore, are deferred in the funds. | | 144,676 |
| Capital assets used in governmental activities are not considered current financial resources and therefore, are not reported in the governmental funds: | | |
| | Capital assets | 26,361,825 |
| | Accumulated depreciation | <u>(17,704,489)</u> |
| | | 8,657,336 |
| Changes in pension and OPEB related actuarial assumptions, proportion of collective pension and OPEB amounts, differences between actual and expected experience and investment earnings, and differences between actual and annualized contributions to the pension plan and Health Care Trust Fund are recorded as deferred inflows or outflows of resources and amortized over the average remaining service life of all active and inactive plan members: | | |
| | Deferred Outflows of pension related items | 1,436,952 |
| | Deferred Outflows of post-employment health benefits | 96,977 |
| | Deferred Inflows of pension related items | (2,865,790) |
| | Deferred Inflows of post-employment health benefits | <u>(173,455)</u> |
| | | (1,505,316) |
| <i>Less:</i> | | |
| Long-term liabilities, including bonds payable, net pension and OPEB liability, accrued compensated absences, leases payable, and accrued interest are not due and payable in the current period and therefore, are not reported in the funds. This is the amount of District long-term liabilities: | | |
| | Net pension liability | (5,964,975) |
| | Net OPEB liability | (288,102) |
| | Accrued compensated absences and early retirement | <u>(98,196)</u> |
| | | <u>(6,351,273)</u> |
| Governmental Activities Net Position | | <u><u>6,085,079</u></u> |

The accompanying notes are an integral part of these statements.

South Routt School District RE-3
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

| | General Fund | Debt Service Fund | Capital Reserve Fund | Supplemental Capital Construction, Technology and Maintenance Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|-------------------------|----------------------------------|-------------------------------------|---|---|---|
| Revenues: | | | | | | |
| Local sources | 4,472,610 | 762 | 30 | 648,413 | 449,794 | 5,571,609 |
| Federal sources | 1,289,262 | - | - | - | 150,150 | 1,439,412 |
| State sources | 7,869,578 | - | - | - | 2,717 | 7,872,295 |
| Total Revenues | 13,631,450 | 762 | 30 | 648,413 | 602,661 | 14,883,316 |
| Expenditures: | | | | | | |
| Direct instruction | 3,668,922 | - | - | 151,823 | - | 3,820,745 |
| Indirect instruction | 540,961 | - | - | - | - | 540,961 |
| General administration | 835,791 | - | - | 4,285 | 559 | 840,635 |
| Support services | 252,345 | - | - | - | 416 | 252,761 |
| Custodial and maintenance | 571,717 | - | - | 146,682 | - | 718,399 |
| Transportation | - | - | - | - | 391,935 | 391,935 |
| Food service | - | - | - | - | 276,147 | 276,147 |
| Student activities | - | - | - | - | 258,260 | 258,260 |
| Capital outlay | 6,294,151 | - | 336 | 408,924 | 27,382 | 6,730,793 |
| Debt service: | | | | | | |
| Principal | - | 420,000 | - | - | - | 420,000 |
| Interest and fiscal charges | - | 6,321 | - | - | - | 6,321 |
| Total Expenditures | 12,163,887 | 426,321 | 336 | 711,714 | 954,699 | 14,256,957 |
| Excess (Deficiency) of Revenues Over Expenditures | 1,467,563 | (425,559) | (306) | (63,301) | (352,038) | 626,359 |
| Other Financing Sources (Uses) | | | | | | |
| Sale of fixed assets | - | - | - | 1,676 | - | 1,676 |
| Transfers in (out) | (343,293) | - | - | - | 343,293 | - |
| Total Other Financing Sources (Uses) | (343,293) | - | - | 1,676 | 343,293 | 1,676 |
| Net Change in Fund Balance | 1,124,270 | (425,559) | (306) | (61,625) | (8,745) | 628,035 |
| Fund Balance - Beginning of Year | 3,409,250 | 690,890 | - | 283,453 | 128,028 | 4,511,621 |
| Fund Balance - End of Year | 4,533,520 | 265,331 | (306) | 221,828 | 119,283 | 5,139,656 |

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

South Rount School District RE-3
Reconciliation of Revenues, Expenditures and Change in Fund Balances
of Governmental Funds to the Statement of Activities
June 30, 2022

| | |
|--|------------------|
| Governmental Funds Change in Fund Balances | 628,035 |
| <i>Add:</i> | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays reported as expenditures in the governmental funds. | 304,180 |
| Debt principal payments result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these payments as reductions against long-term liabilities. | 420,000 |
| Accrued compensated absences and early retirement reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. This is the change in accrued compensated absences during the year. | 2,209 |
| Amortization of deferred costs such as premium and discounts on bonds payable and deferred charges from refundings and changes in accrued interest have no impact on current available resources but do change government-wide net position. | (2,048) |
| <i>Less:</i> | |
| Deferred property tax revenues do not provide current financial resources and are deferred on the governmental fund financial statements but recognized on the government-wide financial statements. This is the change in the deferred property tax recognized in the Statement of Activities. | 86,140 |
| Changes in the District's net pension and OPEB liabilities reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in the District's net pension and OPEB liabilities during the year, including differences between employer contributions to the pension plan or Health Care Trust Fund and amortization of pension-related and OPEB-related deferrals. | 2,373,296 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense reported as an expenditure in the governmental activities' functions. | (802,724) |
| Governmental Activities Change in Net Position | <u>3,009,088</u> |

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

South Routt School District RE-3

Notes to the Financial Statements



South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022

I. Summary of Significant Accounting Policies

South Routt School District RE-3 (the "District") is a public school district within Routt County, Colorado. The District provides academic and vocational curriculum, student transportation, food service, athletic and cultural extracurricular activities, maintenance and general administrative services. The District is located in Oak Creek, Colorado, and operates the following schools:

| <u>Elementary School</u> | <u>Middle School</u> | <u>High School</u> |
|---|-------------------------|-----------------------|
| South Routt Elementary | Soroco Middle School | Soroco High School |
| <u>Preschool and Kindergarten</u> | | |
| Soroco Preschool at Yampa | | |

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The District was reorganized by a vote of qualified electorate and operates under an elected Board of Education comprised of seven members. As required by GAAP, the financial statements of the reporting entity include those of the District and its component units, entities for which the District is considered financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint the voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the above criteria, the District is not financially accountable for any other organization. No additional separate governmental units, agencies or nonprofit organizations are included in the financial statements of the District.

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding sources. However, the District is not included in any other governmental reporting entity.

B. District-wide and Fund Financial Statements

The District's basic financial statements include both District-wide (financial activities of the overall District, except for fiduciary activities) and fund financial statements (reporting the District's major and non-major funds). The District-wide financial statements categorize primary activities as governmental. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. District-wide and Fund Financial Statements

1. District-wide Financial Statements

In the District-wide Statement of Net Position, the governmental activities columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The District-wide Statement of Activities reports both the gross and net cost of the District's governmental functions. The governmental functions are also supported by general government revenues (property taxes, specific ownership taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs, by function, are normally covered by general revenues.

The District-wide focus is on the sustainability of the District as an entity and the change in the District's Net Position resulting from the current year's activities.

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund. Major revenue sources include local property taxes, specific ownership (personal property) taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended. Expenditures include all costs associated with the daily operation of the schools, except for certain capital outlay expenditures, debt service, food service operations, transportation operations, and other pupil activities.

The *Bond Redemption Fund* is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. The fund's primary revenue source is local property taxes levied specifically for debt service.

The *Capital Reserve Fund* accounts for the acquisition of land, construction of new facilities, alterations and improvements to existing structures, and the acquisition of school buses and/or other equipment.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. District-wide and Fund Financial Statements (continued)

2. Fund Financial Statements (continued)

The Supplemental Capital Construction, Technology and Maintenance Fund is established through a voter approved tax and accounts for the ongoing cash funding for the capital construction, new technology, existing technology upgrade and maintenance needs of the District. This fund may only be funded by the approved taxes and other income credited to the fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

The governmental activities in the government-wide financial statements, the proprietary fund financial statements and the fiduciary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

2. Current Financial Focus and Modified Accrual Basis

The District's governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

3. Financial Statement Presentation

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

D. Financial Statement Accounts

1. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the acquisition date.

Investments are stated at fair value or net asset value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- FDIC-Insured Certificates of Deposit
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. At June 30, 2022, the District deems all receivables collectable and therefore does not have an allowance for uncollectible accounts established.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable on the fund financial statements.

4. Inventory and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories recorded in the *Food Service Fund* consist of purchased and donated commodities. Donated commodities inventories are offset by unearned revenue. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt. The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements.

5. Interfund Receivables and Payables

Balances at year-end between funds are reported as “due to/from other funds” in the fund financial statements. Any residual balances not eliminated between the governmental and fiduciary activities are reported as “internal balances” in the district-wide financial statements

6. Capital Assets

Capital assets, which include land, land improvements, construction in progress, buildings and improvements, equipment, and vehicles, are reported in the governmental activity column in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

South Rount School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. Capital Assets (continued)

Capital outlay for projects is capitalized as projects are constructed. The District does not capitalize interest on the construction of capital assets.

Buildings and improvements, equipment, and vehicles are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 7 - 50 |
| Vehicles and equipment | 5 - 20 |

7. Compensated Absences

District employees with five or more years of employment with the District are paid for up to thirty days accumulated day leave at the lower of \$50 per day or the current daily rate. Payment is made in July of the year succeeding termination of employment. In addition, District employees are paid for accumulated vacation at their current daily rate upon termination.

Vested or accumulated leave that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay it, which is the General Fund. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the governmental activities column in the District-wide financial statements. No liability is recorded for non-vesting accumulating rights.

8. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow if resources (expense/expenditures) until then. The District has three items, charge on refunding, pension, and other post-employment benefits (“OPEB”) related deferred outflows, which qualify for reporting under this category on the Statement of Net Position. A charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.

Deferred inflows of resources represent an acquisition of net position that applied to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category, pension and OPEB related deferred inflows, reported in the Statement of Net Position. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

See Note III.F and Note III.G below for discussion on pension and OPEB, respectively, related deferred outflows and inflows.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

9. Long-term Debt

In the district-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net position. Bonds payable are reported net of the applicable bond premium or discount and deferred refunding costs. Bond premiums, discounts, and deferred refunding costs are amortized over the life of the bonds based on interest payments

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

10. Pensions

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

11. Post-Employment Benefits

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.

South Rount School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

12. Fund Balance and Fund Classifications

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The District classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Education. The District's original budget legislation begins with combining historical data, assessment of needs for the upcoming year and the Board of Education platform to review, and/or make changes to each department's budget. Before year end, a budgetary committee will meet again with each department for final review and approval of preliminary budget. The Budget is then formally presented to the Board of Education via an advertised public process for their review, revisions and final approval by year end. All subsequent budget requests made during the year, after the Board of Education approval, must be presented via a public process and again approval by the Board of Education.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Education or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

12. Fund Balance and Fund Classifications (continued)

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of a targeted reserve positions and the Administration calculates targets and report them annually to the Board of Education.

In addition to the above note disclosure, GASB requires disclosure of the following fund definitions.

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Reserve Fund - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Fund - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

12. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Significant Accounting Policies

1. Use of Estimates

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

2. Credit Risk

The receivables of the various funds of the District are primarily due from other governments. Management believes that the credit risk related to the receivables is minimal.

3. Restricted and Unrestricted Resources

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

II. Stewardship, Compliance, and Accountability

A. Bond Trustee

Colorado state statutes require all property taxes levied for the purpose of satisfying bonded indebtedness to be administered by at least one third party custodian designated by the District. The third-party custodian is required to ensure all taxes levied to satisfy the obligations of bonded indebtedness are used accordingly. The District has entered into a custody agreement with Routt County, Colorado in order to meet this requirement.

B. Budgetary Information

Budgets are adopted on a basis consistent with GAAP. As required by Colorado Statutes, all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. All appropriations lapse at year-end.

As required by Colorado Statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for fiscal year 2022:

1. The proposed budget was submitted to the Board of Education by May 31 of the year preceding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

II. Stewardship, Compliance, and Accountability

B. Budgetary Information (continued)

2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.
3. The Board of Education certified revenue requirements to the local County Commissioners prior to December 15.
4. The final budget was adopted prior to June 30, along with an appropriation resolution.

During the year, supplemental appropriation ordinances were approved for the following funds:

| Fund | Original Appropriation | Final Appropriation | Change |
|---------------------|---------------------------|------------------------|--------|
| General Fund | \$ 9,760,395 | 9,763,734 | 3,339 |
| Transportation Fund | 213,956 | 255,056 | 41,100 |

C. TABOR Amendment

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 contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending. The District has reserved \$378,000 of its June 30, 2022 fund balances for this purpose.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

II. Stewardship, Compliance, and Accountability

C. TABOR Amendment (continued)

In 1997, the District’s electorate approved a referendum allowing the District to keep and spend any excess revenue received during the year ended June 30, 1997, and each subsequent year thereafter.

The District believes it is in compliance with the requirements of the TABOR Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

III. Detailed Notes on All Funds

A. Deposits and Investments

The District’s deposits are entirely covered by Federal Depository Insurance Corporation (“FDIC”) or by collateral held under Colorado’s Public Deposit Protection Act (“PDPA”). The FDIC insures the first \$250,000 of the District’s deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA.

The District is governed by the deposit and investment limitations of state law. At June 30, 2022, the District had the following cash and investments (including the custodial fund) with the following maturities:

| <u>Type:</u> | <u>Standard & Poors Rating</u> | <u>Balance</u> | <u>Maturities</u> | |
|---------------------|------------------------------------|---------------------|---------------------------|-----------------------------|
| | | | <u>Less Than One Year</u> | <u>Less Than Five Years</u> |
| <i>Deposits:</i> | | | | |
| Checking accounts | Not rated | \$ 475,425 | 475,425 | - |
| <i>Investments:</i> | | | | |
| Investment pool | AAAm | 5,822,387 | 5,822,387 | - |
| | | <u>\$ 6,297,812</u> | <u>6,297,812</u> | <u>-</u> |

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments (continued)

The District's cash and investments are presented on the Statement of Net Position as follows:

| <u>Reconciliation to Statement of Net Position</u> | |
|--|---------------------|
| Cash and cash equivalents - Unrestricted | \$ 475,425 |
| Cash and investments - Unrestricted | <u>5,822,387</u> |
| | <u>\$ 6,297,812</u> |

| <u>Investments Measured at Net Asset Value</u> | <u>Total</u> |
|--|---------------------|
| Colotrust | <u>\$ 5,822,387</u> |

Pools. At June 30, 2022, the District was invested in the Colorado Local Government Liquid Asset Trust ("Colotrust"), and investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. The pool operates in conformity with the Securities and Exchange Commission's Rule 2a-7 with each share equal in value to \$1.00.

Interest Rate Risk. The District limits investments maturities as required by state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates. State statutes require the District to limit maturities to five years from the date of purchase. Maturities of investments held at June 30, 2022 are provided in the previous schedule. The District coordinates its investment maturities to closely match cash flow needs.

Credit Risk. State law specify instruments in which local governments may invest, including obligations of the United States, certain U.S. governmental agency securities, local government investment pools, and commercial paper, among other items. The District's general investment policy is to invest surplus funds in accordance with state law, to ensure the preservation of capital, to ensure that adequate funds are available at all times to meet the financial obligations of the District when due, and to realize rates of return on invested funds which are comparable to market levels.

Custodial Credit Risk. For an investment, this is the risk that, in the event of failure of the counterparty, the government will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. The District does not have an investment policy that limits the amount of securities that can be held by counterparties.

Concentration of Credit Risk. The District places no limit on the amount that it may invest in any one issuer. More than 5% of the District's investments are in the COLOTRUST Investment Pool. These investments represented 100% of the District's total investments.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

B. Receivables and Unavailable Revenue

Receivables as of year-end for the District's major and non-major funds, including applicable allowances for uncollectible accounts, are as follows:

| | General Fund | Food Service Fund | Transportation Fund | Supplemental Capital Construction Fund | Total Governmental Funds |
|------------------------|-------------------------|----------------------------------|--------------------------------|---|---|
| Receivables: | | | | | |
| Taxes | \$ 195,501 | - | 5,456 | 41,704 | 242,661 |
| Other | 12,556 | - | - | - | 12,556 |
| Intergovernmental | 416,227 | 12,616 | - | - | 428,843 |
| Net Receivables | \$ 624,284 | 12,616 | 5,456 | 41,704 | 684,060 |

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

C. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,082,075 | - | - | 1,082,075 |
| Land improvements | 670,719 | - | - | 670,719 |
| Construction in progress | - | 12,642 | - | 12,642 |
| Total capital assets, not being depreciated | 1,752,794 | 12,642 | - | 1,765,436 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 23,248,502 | 150,958 | (11,745) | 23,387,715 |
| Vehicles and equipment | 1,394,433 | 140,580 | (326,339) | 1,208,674 |
| Total capital assets being depreciated | 24,642,935 | 291,538 | (338,084) | 24,596,389 |
| Total capital assets - Cost | 26,395,729 | 304,180 | (338,084) | 26,361,825 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (16,112,796) | (741,092) | 11,745 | (16,842,143) |
| Vehicles and equipment | (1,127,053) | (61,632) | 326,339 | (862,346) |
| Total accumulated depreciation | (17,239,849) | (802,724) | 338,084 | (17,704,489) |
| Governmental activities capital assets, net | \$ 9,155,880 | (498,544) | - | 8,657,336 |

South Rount School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

C. Capital Assets (continued)

The District had the following capital outlay and depreciation expense for the following functions/programs:

| | Capital Outlay | Depreciation Expense |
|---------------------------|--|---------------------------------|
| Governmental activities: | | |
| Direct instruction | \$ 258,063 | 765,036 |
| General administration | - | 2,916 |
| Custodial and maintenance | - | 7,389 |
| Transportation | 46,117 | 24,654 |
| Food service | - | 2,729 |
| | Total - governmental activities | 802,724 |
| | \$ 304,180 | 802,724 |

D. Interfund Receivables, Payables, and Transfers

The District has reported the following interfund balance as of June 30, 2022:

| | Receivable Fund | Payable Fund |
|---|----------------------------|-------------------------|
| General Fund | \$ - | \$ 542,290 |
| Bond Redemption Fund | - | 23,858 |
| Pupil Activity Fund | - | 59 |
| Transportation Fund | 134,532 | - |
| Capital Reserve Fund | - | 306 |
| Supplemental Capital Construction Technology and Maintenance Fund | 426,782 | - |
| Food Services Fund | 5,199 | - |
| | Total | Total |
| | \$ 566,513 | 566,513 |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) provide additional resources for current operations or debt service.

All District transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

D. Interfund Receivables, Payables, and Transfers (continued)

Transfers for fiscal year 2022 were as follows:

| Fund | Transfer In | Transfer (out) |
|-----------------------|-------------------|------------------|
| General Fund | \$ - | (343,293) |
| Student Activity Fund | 33,293 | - |
| Transportation Fund | 210,000 | - |
| Food Services Fund | 100,000 | - |
| Total | <u>\$ 343,293</u> | <u>(343,293)</u> |

E. Long-term Debt – Governmental Activities

1. General Obligation Refunding Bonds, Series 2014

On September 3, 2014, the District issued General Obligation Refunding Bonds, series 2014, in denominations of \$5,000, total issue \$4,825,000. The bonds were issued to refinance a portion of the District's general obligation debt for the purpose of reducing debt service requirements. Interest, at a rate of 1.5% to 2.00%, is payable at each June 1 and December 1. Principal is due beginning December 1, 2014, and each year thereafter to December 1, 2021. The bonds are general obligations of the District and shall be payable from general ad valorem taxes required to be levied, without limitation as to rate and in amounts sufficient to pay the principal of and interest on the bonds, on all taxable property of the District, except to the extent other legally available funds are applied for such purpose. The bonds are subject to redemption prior to maturity, at the option of the District at a redemption price equal to the par amount thereof, plus accrued interest.

2. Defeasance of Debt

As noted above, proceeds of the 2014 refunding bond issue were used to purchase U.S. government securities to retire previous bonds issues. Sufficient U.S. government, state and local governmental securities were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District's financial records. The amount of the District's defeased debt is not readily determinable.

3. Debt Requirements

Colorado State Statutes require all property taxes levied for the purpose of satisfying bonded indebtedness to be administered by at least one third party custodian designated by the District. The third-party custodian is required to ensure all taxes levied to satisfy the obligations of bonded indebtedness are used accordingly. The District has entered into a custody agreement with UMB Bank, N/A., in order to meet this requirement.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt – Governmental Activities (continued)

3. Debt Requirements (continued)

The District is compliant in ongoing disclosure requirements to the secondary bond market in accordance with the Securities and Exchange Commission's Rule 15c2-12.

4. Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2022:

| | Balance July 1, 2021 | Additions | (Reductions) | Balance June 30, 2022 | Due Withir One Year |
|--------------------------------------|-------------------------------------|------------------|---------------------|--------------------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 420,000 | - | (420,000) | - | |
| Premium on general obligation bonds | 14,630 | - | (14,630) | - | |
| Compensated absences | 100,405 | 18,208 | (20,417) | 98,196 | |
| Net OPEB liability | 270,452 | | 17,650 | 288,102 | |
| Net unfunded pension liability | 7,434,295 | - | (1,469,320) | 5,964,975 | |
| Total Governmental Activities | \$ 8,239,782 | 18,208 | (1,906,717) | 6,351,273 | |

For governmental activities, compensated absences are liquidated by the General Fund.

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

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 comprehensive annual financial report 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.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Benefits provided as of December 31, 2021 (continued)

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

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

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

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

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

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

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

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Benefits provided as of December 31, 2021 (continued)

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

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

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

| | For the Year Ended June 30, 2022 |
|---|---|
| Employer contribution rate | 10.90% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-2018(1)(f) | (1.02%) |
| Amount apportioned to the Trust Fund | 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 Trust Fund | 19.88% |

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$649,374 for the year ended June 30, 2022.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

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

At June 30, 2022, the District reported a liability of \$5,964,975 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

| | | |
|--|----|-----------|
| The District's proportionate share of the net pension liability | \$ | 5,964,975 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District | | 613,480 |
| Total | \$ | 6,578,455 |

At December 31, 2021, the District proportion was 0.0513%, which was an increase from its proportion of 0.0492% measured as of December 31, 2020.

Pension Expense: For the year ended June 30, 2022, the District recognized a credit pension expense of \$1,686,469 and revenue of \$73,005 for support from the State as a nonemployer contributing entity.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources: 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 | \$ 228,363 | - |
| Changes of assumptions or other inputs | 455,381 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 2,242,654 |
| Changes in proportionate share of contributions | 421,776 | 623,136 |
| Contributions subsequent to the measurement date | 331,432 | - |
| Total | \$ 1,436,952 | 2,865,790 |

\$331,432 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date of December 31, 2021, will be recognized as a reduction of the net pension liability calculated at the December 31, 2022 measurement date. 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 | \$ | (262,054) |
| 2024 | | (727,690) |
| 2025 | | (498,315) |
| 2026 | | (272,211) |
| Total | \$ | (1,760,270) |

South Rount School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Actuarial assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

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

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

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

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

Post-retirement non-disabled mortality assumptions were based on 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.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (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 were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

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

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

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

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|---------------------------|--------------------------|---|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives ¹ | 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 total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.

Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (“SB”) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (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 2019 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- 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 total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.2%. There was no change in the discount rate from the prior measurement date.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Discount rate (continued)

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 8,779,955 | \$ 5,964,975 | \$ 3,615,979 |

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

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources

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

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

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Benefits provided (continued):

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

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

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

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

DPS Benefit Structure (continued):

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. For the year ended June 30, 2022, the District's contributions to HCTF were approximately \$33,318.

Liabilities: At June 30, 2022, the District reported a liability for OPEB of \$288,102 for its proportionate share of net OPEB. The net OPEB liability was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2021. The District proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the District proportion was 0.0334%, which was an increase as compared to its proportion of 0.0285% measured as of December 31, 2020.

South Rount School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2022, the District recognized a credit OPEB expense of \$4,135. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between expenses and actual experience | \$ 439 | 68,311 |
| Change of assumptions or other inputs | 5,964 | 15,628 |
| Net difference between projected and actual earnings on plan investments | - | 17,834 |
| Changes in proportionate share of contributions | 73,568 | 71,682 |
| Contributions subsequent to measurement date | 17,006 | - |
| | \$ 96,977 | 173,455 |

\$17,006 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 | \$ | (27,454) |
| 2024 | | (29,837) |
| 2025 | | (27,006) |
| 2026 | | (19,823) |
| 2027 | | 5,645 |
| Thereafter | | 4,991 |
| Total | \$ | (93,484) |

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

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

| | | |
|--|--|---------------------------------------|
| Actuarial cost method | | Entry age |
| Price inflation | | 2.30% |
| Real wage growth | | 0.70% |
| Wage inflation | | 3.00% |
| Salary increases, including wage inflation | | 3.20% - 11.30% |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | | 7.25% |
| Discount rate | | 7.25% |
| Health care cost trend rates | | |
| PERA benefit structure: | | |
| Service-based premium subsidy | | 0.00% |
| PERACare Medicare plans | 4.50% in 2021, 6.00% in 2022 | gradually decreasing to 4.50% in 2029 |
| Medicare Part A premiums | 3.75% in 2021, gradually increasing to 4.50% in 2029 | |
| DPS benefit structure: | | |
| Service-based premium subsidy | | 0.00% |
| PERACare Medicare plans | | N/A |
| Medicare Part A premiums | | N/A |

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

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

| Medicare Plan | Initial Costs for Members without Medicare Part A | | |
|---|--|------------------------|---------------------------------------|
| | Monthly Cost | Monthly Premium | Monthly Cos Adjusted to Age 65 |
| Medicare Advantage/Self-Insured RX Kaiser Permanente Medicare Advantage HMO | \$ 633 | \$ 230 | \$ 59 |
| Advantage HMO | \$ 596 | \$ 199 | \$ 56 |

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

South Rount School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Actuarial Assumptions (continued)

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 total OPEB liability are summarized in the table below:

| <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 total OPEB liability 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.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Actuarial assumptions (continued)

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

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

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

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

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

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

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

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

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

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

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

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Actuarial assumptions (continued)

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

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

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

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

South Rount School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

| <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 ¹ | 6.00% | 4.70% |
| Total | <u>100.00%</u> | |

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</u> | <u>Current Discount Rate</u> | <u>1% Increase</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% |
| Collective Net OPEB Liability | \$ 837,542,000 | \$ 862,305,000 | \$ 890,991,000 |
| Proportionate Share of Net OPEB Liability | \$ 279,828 | \$ 288,101 | \$ 297,685 |

Discount rate. The discount rate used to measure the total OPEB liability 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%.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

III. Detailed Notes on All Funds (continued)

G. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)

Discount rate (continued):

- 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: Based on the above assumptions and methods, the HCTF's FNP was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|--------------------------------|--|--------------------------------|
| Proportionate share of the net OPEB liability | \$ 334,599 | \$ 288,102 | \$ 248,384 |

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

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

IV. Other Information

A. Defined Contribution Pension Plan

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

Funding Policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. There were no 401(k) Plan member contributions from the District for the year ended June 30, 2022.

B. Risk Management

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and error and omissions. The District carries commercial coverage for these risks and claims and does not expect claims to exceed their coverage. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

Pupil Counts. Each year the District submits data regarding pupil counts to the Colorado Department of Education (CDE). The purpose of this data collection is to obtain required student level data as provided for by state statute (s), including information regarding students' funding eligibility as outlined in the Public School Finance Act of 1994 (22-54-101, C.R.S.).

The Student October Count is based on a one (1) day membership count in which districts are asked to report all students who are actively enrolled and attending classes through their district on that date. In an effort to ensure accurate reporting of those data fields associated with student funding, CDE conducts periodic compliance audits of each district's student October count data. This data not only determine per pupil funding, but also at risk and English Language Proficiency Act (ELPA) funding. CDE audits districts every one to four years, the frequency of which is determined by a number of factors including, but not limited to, the size and location of the district, as well as issues or concerns that might have arisen from prior audits.

The District believes its pupil count information is accurate and any adjustment would not be material.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

IV. Other Information (continued)

C. Contingencies

1. Legal Claims

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at June 30, 2022.

2. Federal Programs

Funds received from Federal grants are subject to audit and disallowance of ineligible cost. Management of the District feels any potential questioned or disallowed costs or liability arising from the Federal program audits would not materially affect the fairness of the presentation of the financial statements at June 30, 2022.

3. State Programs

The District receives payment for State equalization, State transportation and various other State revenues to fund programs. These grants and programs are subject to audit and may result in the District either refunding amounts due for overpayment or receiving additional revenue for underpayment by the State. These adjustments can be material. The amount of these adjustments cannot be estimated or determined as of the date of these financial statements.

D. Mill Levy Override Approvals

1. Mill Levy Override

In November 2007, the electorate approved a ballot question authorizing the District to raise and expend local property tax revenues of \$560,000 in excess of limitations set forth by the Public School Finance Act of 1994 and Section 20 of Article X of the State Constitution for a limited 10-year period.

In November 2014 the electorate approved an extension of the Mill Levy Override for another 10 year period beyond collection year 2016 to provide funds to continue support for current education programs, increase salaries and wages to remain competitive with neighboring districts, maintain small class sizes, and perform maintenance on aging buildings and grounds to extend their useful lives.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

IV. Other Information (continued)

D. Mill Levy Override Approvals (continued)

1. Mill Levy Override (continued)

On November 3, 2020, the electorate approved another extension of the Mill Levy Override for a 12-year period to end after collection year 2032 of 9.111 mills. In accordance with the ballot language, funds are to be designated for use for:

- Provide local matching funds to qualify for and received matching state grant funding under the Building Excellent Schools Today Act;
- Fund the ongoing maintenance of District facilities and continue a proper replacement cycle of the transportation fleet to improve safety and enhance reliability; and
- Properly fund computer and technology access for all District students.

2. General Fund Override

On November 5, 2018, the electorate approved a General Fund Override ballot question authorizing the District to raise and expend local property tax revenues of \$250,000 in excess of limitations set forth by the Public School Finance Act for 1994 and Section 20 of Article X of the State Constitution for a limited 10-year period for the purpose of meeting the District's strategic plan by attracting and retaining highly effective teachers and staff by increasing/offering more competitive salaries and wages with neighboring Districts.

E. Memorandum of Understanding ("MOU") Regarding Technology Services

Effective July 1, 2021, the District entered into a MOU with Steamboat Springs School District RE-2 ("SSSD RE 2") to merge certain functions and operations of the two District's technology departments in order to more efficiently and economically support and maintain the computer network, computers, and other technology hardware in SSSD RE 2 and the District. The agreement has a term of 1 year from the effective date and can be terminated by either party with 30 days' written notice. In accordance with the agreement, the District paid \$134,240 to SSSD RE 2 during fiscal year 2022.

In May 2022, a new 1-year MOU was executed with a commencement date of July 1, 2022 with the annual cost for technology services and support set at \$146,802.

F. Northwest Colorado Board of Cooperative Educational Services

The District is an association member, together with other school districts, participating in certain programs of the Northwest Colorado Board of Cooperative Educational Services (the "BOCES"). The purpose of the BOCES is to pool resources of the individual districts and to provide services common to each on a basis that is more economical than if the same services were provided individually. The District provides its own administrative services and does not bear administrative costs borne equally by fully participating districts as it is not a full member. The District pays for services provided by BOCES charged to each district based upon individual needs and the student population.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

IV. Other Information (continued)

F. Northwest Colorado Board of Cooperative Educational Services (continued)

The BOCES has issued its own audited financial statements for the year ended June 30, 2021, the latest available data. The following summary information is presented:

| | |
|--------------------------------|-----------------------|
| Assets | \$ 1,125,070 |
| Deferred Outflows of Resources | 988,609 |
| Liabilities | 5,369,604 |
| Deferred Inflows of Resources | 2,566,912 |
| Net Position | <u>\$ (5,822,837)</u> |
| Expenses | \$ (1,548,186) |
| Program Revenues | 3,244,631 |
| General Revenues | 475 |
| Change in Net Position | <u>1,696,920</u> |
| Net Position - Beginning | <u>(7,519,757)</u> |
| Net Position - Ending | <u>\$ (5,822,837)</u> |

For the year ended June 30, 2022, the District made operating contributions of #VALUE!

G. Colorado School District Self Insurance Pool

The District belongs to the Colorado School Districts Self Insurance Pool (the "Pool"). The Pool was established by the Colorado Association of School Boards ("CASB") to provide insurance coverage to participants in the areas of property, crime, vehicle, liability, School Crisis Act, and other coverage. The majority of the Board of Directors of the Pool is appointed by CASB.

Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, aggregate Pool claims, the cost of administrative and other costs, the number of participants, and the adequacy of operating and reserve funds.

South Routt School District RE-3
Notes to the Financial Statements
June 30, 2022
(Continued)

IV. Other Information (continued)

G. Colorado School District Self Insurance Pool (continued)

The District's share in the Pool is not determinable from current information. The Pool has issued its own audited financial statements for the year ended June 30, 2021 the latest available data. The following summary information is presented:

| | |
|------------------------------|---------------|
| Admitted Assets | \$ 64,950,784 |
| Liabilities | (26,531,849) |
| Surplus | \$ 38,418,935 |
| | |
| Revenues | \$ 33,169,730 |
| Expenses | (22,573,689) |
| Net Income | 10,596,041 |
| Change in nonadmitted assets | (19,019) |
| | |
| Surplus - Beginning | 27,841,913 |
| Net Position - Ending | \$ 38,418,935 |

H. State Statutes

The District had expenditures in excess of budget for the following funds. This may be a violation of state statute.

| Fund | Final Budget | Actual | Expenditures in excess of budget | Reason |
|---------------------|-----------------|------------|--|--|
| General Fund | \$ 6,409,690 | 12,090,882 | 5,681,192 | \$5.3M expenditures for CCSG Broadband grant to expand services in Oak Creek |
| Transportation Fund | 255,056 | 392,910 | 137,854 | Unanticipated overtime |
| Pupil Activity Fund | 27,798 | 258,260 | 230,462 | Certain activities over budget |
| Food Service Fund | 215,050 | 303,529 | 88,479 | Purchased food supplies over budget |

South Routt School District RE-3
Required Supplementary Information



South Routt School District RE-3
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
General Fund
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for 2021)

| | 2022 | | | Final Budget Variance Positive (Negative) | 2021 |
|--|--------------------|------------------|-------------------|--|-------------------|
| | Original Budget | Final Budget | Actual Amounts | | Actual Amounts |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Property taxes levied for general purposes | 3,133,891 | 3,246,812 | 3,166,404 | (80,408) | 3,119,885 |
| Specific ownership taxes | 127,712 | 134,228 | 275,773 | 141,545 | 274,384 |
| Community service activities | - | - | 130,233 | 130,233 | 104,434 |
| Tuition and fees | 75,000 | 75,000 | 90,775 | 15,775 | 48,995 |
| Investment income | 15,000 | 15,000 | 12,193 | (2,807) | 3,459 |
| Other | 330,503 | 160,500 | 797,232 | 636,732 | 368,806 |
| Total Local Sources | <u>3,682,106</u> | <u>3,631,540</u> | <u>4,472,610</u> | <u>841,070</u> | <u>3,919,963</u> |
| Federal sources | 75,220 | 75,220 | 1,289,262 | 1,214,042 | 618,149 |
| State sources: | | | | | |
| Equalization | 2,035,223 | 1,983,562 | 1,737,305 | (246,257) | 1,514,678 |
| Other | 4,142,846 | 4,192,846 | 6,132,273 | 1,939,427 | 477,941 |
| Total State Sources | <u>6,178,069</u> | <u>6,176,408</u> | <u>7,869,578</u> | <u>1,693,170</u> | <u>1,992,619</u> |
| Total Revenues | <u>9,935,395</u> | <u>9,883,168</u> | <u>13,631,450</u> | <u>3,748,282</u> | <u>6,530,731</u> |
| Expenditures: | | | | | |
| Direct instruction | 3,225,447 | 3,230,447 | 3,668,922 | (438,475) | 2,844,832 |
| Indirect instruction | 643,070 | 693,070 | 540,961 | 152,109 | 550,315 |
| General administration | 676,833 | 691,833 | 835,791 | (143,958) | 713,425 |
| Support services | 4,459,425 | 4,392,764 | 252,345 | 4,140,419 | 253,619 |
| Custodial and maintenance | 740,620 | 740,620 | 571,717 | 168,903 | 647,635 |
| Transportation | - | - | - | - | 202,172 |
| Capital outlay | 15,000 | 15,000 | 6,294,151 | (6,279,151) | 155,199 |
| Total Expenditures | <u>9,760,395</u> | <u>9,763,734</u> | <u>12,163,887</u> | <u>(2,400,153)</u> | <u>5,367,197</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>175,000</u> | <u>119,434</u> | <u>1,467,563</u> | <u>1,348,129</u> | <u>1,163,534</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | (175,000) | (175,000) | (343,293) | (168,293) | (580,685) |
| Total Other Financing Sources (Uses) | <u>(175,000)</u> | <u>(175,000)</u> | <u>(343,293)</u> | <u>(168,293)</u> | <u>(580,685)</u> |
| Net Change in Fund Balance | - | (55,566) | 1,124,270 | 1,179,836 | 582,849 |
| Fund Balance - Beginning of Year - Budget Basis | <u>2,826,401</u> | <u>3,409,250</u> | <u>3,409,250</u> | <u>-</u> | <u>2,826,401</u> |
| Fund Balance - End of Year - Budget Basis | <u>2,826,401</u> | <u>3,353,684</u> | <u>4,533,520</u> | <u>1,179,836</u> | <u>3,409,250</u> |
| Reconciliation to GAAP Basis: | | | | | |
| Adjustments: | | | | | |
| Pension direct distribution - Special funding | | | 73,005 | | - |
| Pension expense - Special funding | | | (73,005) | | - |
| Fund Balance - End of Year - GAAP Basis | | | <u>4,533,520</u> | | <u>3,409,250</u> |

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

South Routt School District RE-3
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
Special Revenue Fund
Supplemental Capital Construction, Technology and Maintenance Fund
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for 2021)

| | 2022 | | | Final Budget Variance Positive (Negative) | 2021 |
|--|--------------------|-----------------|-------------------|--|-------------------|
| | Original Budget | Final Budget | Actual Amounts | | Actual Amounts |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Property taxes levied for general purposes | 602,225 | 667,925 | 648,317 | (19,608) | 588,310 |
| Specific ownership taxes | 25 | 100 | 96 | (4) | 23 |
| Total Local Sources | <u>602,250</u> | <u>668,025</u> | <u>648,413</u> | <u>(19,612)</u> | <u>588,333</u> |
| Total Revenues | <u>602,250</u> | <u>668,025</u> | <u>648,413</u> | <u>(19,612)</u> | <u>588,333</u> |
| Expenditures: | | | | | |
| Direct instruction | - | - | 151,823 | (151,823) | - |
| General administration | 20,000 | 20,000 | 4,285 | 15,715 | 1,998 |
| Custodial and maintenance | 125,000 | 125,000 | 146,682 | (21,682) | 247 |
| Transportation | 103,250 | 103,250 | - | 103,250 | - |
| Capital outlay: | | | | | |
| Land and improvements | - | - | 960 | (960) | - |
| Buildings and improvements | 275,000 | 275,000 | 44,300 | 230,700 | 296,738 |
| Major renovations | - | - | 239,125 | (239,125) | - |
| Equipment | 29,000 | 29,000 | 18,820 | 10,180 | 5,717 |
| Vehicles | - | - | 46,117 | (46,117) | - |
| Non-Capital equipment | 50,000 | 50,000 | 59,602 | (9,602) | 180 |
| Total Expenditures | <u>602,250</u> | <u>602,250</u> | <u>711,714</u> | <u>(109,464)</u> | <u>304,880</u> |
| Excess (Deficiency) of Revenues Over Expenditures | - | 65,775 | (63,301) | (129,076) | 283,453 |
| Other Financing Sources (Uses) | | | | | |
| Sale of fixed assets | - | - | 1,676 | 1,676 | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>1,676</u> | <u>1,676</u> | <u>-</u> |
| Net Change in Fund Balance | - | 65,775 | (61,625) | (127,400) | 283,453 |
| Fund Balance - Beginning of Year | <u>-</u> | <u>283,452</u> | <u>283,453</u> | <u>1</u> | <u>-</u> |
| Fund Balance - End of Year | <u>-</u> | <u>349,227</u> | <u>221,828</u> | <u>(127,399)</u> | <u>283,453</u> |

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

South Routt School District RE-3
Schedule of District's Proportionate Share of the Net Pension Liability
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

| For the year-ended at the measurement date December 31, | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------------|------------------|------------------|-------------------|-------------------|-------------------|------------------|------------------|
| District's proportion of the net pension liability | 0.0513% | 0.0492% | 0.0555% | 0.5099% | 0.0593% | 0.0595% | 0.0610% | 0.0650% |
| District's proportionate share of the net pension liability | 5,964,975 | 7,434,295 | 8,298,268 | 9,029,534 | 19,182,556 | 17,729,293 | 9,332,061 | 8,808,268 |
| State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District | 613,480 | - | 934,057 | 1,086,148 | - | - | - | - |
| Total proportionate share of the net pension liability associated with the District | <u>6,578,455</u> | <u>7,434,295</u> | <u>9,232,325</u> | <u>10,115,682</u> | <u>19,182,556</u> | <u>17,729,293</u> | <u>9,332,061</u> | <u>8,808,268</u> |
| District's covered payroll | 3,198,007 | 2,631,998 | 3,262,842 | 2,797,122 | 2,686,182 | 2,670,527 | 2,658,341 | 2,705,094 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 206% | 282% | 254% | 323% | 714% | 664% | 351% | 326% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.86% | 66.99% | 64.52% | 57.00% | 44.00% | 43.00% | 59.00% | 63.00% |

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2014.

The accompanying notes to required supplementary information are an integral part of these statements.

South Routt School District RE-3
Schedule of District's Pension Contributions
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

| Fiscal year-ended June 30, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | 649,374 | 496,580 | 631,319 | 561,615 | 522,932 | 491,718 | 474,283 | 435,873 |
| Contributions in relation to the contractually required contribution | <u>(649,374)</u> | <u>(496,580)</u> | <u>(631,319)</u> | <u>(561,615)</u> | <u>(522,932)</u> | <u>(491,718)</u> | <u>(474,283)</u> | <u>(435,873)</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| District's covered payroll | 3,266,468 | 2,497,886 | 3,299,350 | 2,935,731 | 2,741,172 | 2,675,329 | 2,675,315 | 2,580,911 |
| Contributions as a percentage of covered payroll | 19.88% | 19.88% | 19.13% | 19.13% | 19.08% | 18.38% | 17.73% | 16.89% |

* Information is only available beginning in fiscal year 2015.

The accompanying notes to required supplementary information are an integral part of these statements.

South Routt School District RE-3
Schedule of District's Proportionate Share of the Other Post-Employment Benefits Liability
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years *

| For the year-ended at the measurement date of December 31 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-------------|-------------|-------------|-------------|-------------|
| District's proportion of the net OPEB liability | 0.0334% | 0.0285% | 0.0363% | 0.0332% | 0.0337% |
| District's proportionate share of the net OPEB liability | 288,102 | 270,452 | 407,873 | 450,959 | 438,048 |
| District's covered payroll | 3,198,007 | 2,631,998 | 3,299,350 | 2,797,122 | 2,686,182 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 9% | 10% | 12% | 16% | 16% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 39.40% | 32.78% | 24.49% | 17.03% | 17.53% |

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2018.

The accompanying notes to required supplementary information are an integral part of these statements.

South Routt School District RE-3
Schedule of District's Other Post-Employment Benefits Contributions
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years *

| Fiscal year-ended June 30, | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | 33,318 | 25,478 | 33,227 | 29,944 | 27,960 |
| Contributions in relation to the contractually required contribution | <u>(33,318)</u> | <u>(25,478)</u> | <u>(33,227)</u> | <u>(29,944)</u> | <u>(27,960)</u> |
| Contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| District's covered payroll | 3,266,468 | 2,497,886 | 3,299,350 | 2,935,731 | 2,741,172 |
| Contributions as a percentage of covered payroll | 1.02% | 1.02% | 1.01% | 1.02% | 1.02% |

* Information is only available beginning in fiscal year 2018.

The accompanying notes to required supplementary information are an integral part of these statements.

South Routt School District RE-3
Notes to the Required Supplementary Information
June 30, 2022

I. Schedule of District's Proportionate Share of the Net Pension Liability

A. Changes to Assumptions or Other Inputs

1. Changes since the December 31, 2020 actuarial valuation:

- The assumption used to value the AI cap benefit provision was changed from 1.25% to 1.00%.

2. Changes since the December 31, 2019 actuarial valuation:

- The price inflation assumption was lowered from 2.4 percent to 2.30 percent.
- The wage inflation assumption was lowered from 3.5 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the School and DPS Divisions was changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the School and DPS Divisions was changed to the PubT-2010 Healthy Retiree Table, adjusted as follows:
 - Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2019 Contingent Survivor Table, adjusted as follows:
 - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
 - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a head-count weighted basis.

3. Changes since the December 31, 2018 actuarial valuation:

- The assumption used to value the AI cap benefit provisions was changed from 1.50 percent to 1.25 percent.

South Routt School District RE-3
Notes to the Required Supplementary Information
June 30, 2022
(continued)

I. Schedule of District's Proportionate Share of the Net Pension Liability (continued)

A. Changes to Assumptions or Other Inputs (continued)

4. Changes since the December 31, 2017 actuarial valuation:

- The single equivalent interest rate ("SEIR") was increased from 4.78 percent to 7.25 percent to reflect the changes to the projection's valuation basis, which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.

5. Changes since the December 31, 2016 actuarial valuation:

- The single equivalent interest rate ("SEIR") was lowered from 5.26 percent to 4.78 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the fiduciary net position ("FNP"), and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

6. Changes Since the December 31, 2015 Actuarial Valuation are as Follows:

- The investment return assumption was lowered from 7.5 percent to 7.25 percent
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent
- The post-retirement mortality assumption for healthy lives for the School and Denver Public School ("DPS") Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, or males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The SEIR for the School Division Trust Fund was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.

South Routt School District RE-3
Notes to the Required Supplementary Information
June 30, 2022
(Continued)

I. Schedule of District's Proportionate Share of the Net Pension Liability (continued)

A. Changes to Assumptions or Other Inputs (continued)

7. Changes Since the December 31, 2014 Actuarial Valuation are as Follows:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18-month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

B. Changes of Benefit Terms

No changes during the years presented.

C. Changes of Size or Composition of Population Covered by Benefit Terms

No changes during the years presented.

II. Schedule of District Pension Contributions

A. Changes to Assumptions or Other Inputs

No changes during the years presented.

B. Changes of Benefit Terms

No changes during the years presented.

C. Changes of Size or Composition of Population Covered by Benefit Terms

No changes during the years presented.

III. Schedule of the District's Proportionate Share of the Other Post-Employment Benefits Liability

A. Changes to assumptions or other inputs

No changes during the years presented.

South Routt School District RE-3
Notes to the Required Supplementary Information
June 30, 2022
(Continued)

III. Schedule of the District's Proportionate Share of the Other Post-Employment Benefits Liability (continued)

B. Changes of benefit term

No changes during the years presented.

C. Changes of size or composition of population covered by terms

No changes during the years presented.

IV. Schedule of District Other Post-Employment Benefits Contributions

A. Changes to assumptions or other inputs

1. Changes since the December 31, 2019 actuarial valuation:

- Changes since the December 31, 2019 to the Health Care Trust Fund actuarial valuation are the same as the changes to the School Division Trust Fund noted in Note I.A.1 above.

B. Changes of benefit terms

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms

No changes during the years presented.

South Routt School District RE-3

Supplementary Information



**South Routt School District RE-3
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022**

| | <u>Special Revenue Fund</u> | | | Total Non-Major Governmental Funds |
|--|------------------------------|------------------------------------|--------------------------------|---|
| | <u>Food Service Fund</u> | <u>Pupil Activity Fund</u> | <u>Transportation Fund</u> | |
| Assets: | | | | |
| Cash and cash equivalents | 47,404 | 360 | - | 47,764 |
| Accounts receivable, net: | | | | |
| Taxes | - | - | 5,456 | 5,456 |
| Other governments | 12,616 | - | - | 12,616 |
| Due from other funds | 5,199 | - | 134,532 | 139,731 |
| Inventories | 7,242 | - | - | 7,242 |
| Total Assets | <u>72,461</u> | <u>360</u> | <u>139,988</u> | <u>212,809</u> |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | 26,747 | 300 | 3,951 | 30,998 |
| Accrued salaries | 27,317 | - | 25,811 | 53,128 |
| Due to other funds | - | 59 | - | 59 |
| Unearned revenue | 7,644 | - | - | 7,644 |
| Total Liabilities | <u>61,708</u> | <u>359</u> | <u>29,762</u> | <u>91,829</u> |
| Deferred Inflows of Resources: | | | | |
| Unavailable property taxes | - | - | 1,697 | 1,697 |
| Fund Balances: | | | | |
| Non-spendable: | | | | |
| Inventories | 7,242 | - | - | 7,242 |
| Committed: | | | | |
| Food service | 3,511 | - | - | 3,511 |
| Student activities | - | 1 | - | 1 |
| Transportation | - | - | 108,529 | 108,529 |
| Total Fund Balances | <u>10,753</u> | <u>1</u> | <u>108,529</u> | <u>119,283</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>72,461</u> | <u>360</u> | <u>139,988</u> | <u>212,809</u> |

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

South Routt School District RE-3
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2022

| | Special Revenue Fund | | | Total Non-Major Governmental Funds |
|--|------------------------------|------------------------------------|--------------------------------|---|
| | Food Service Fund | Pupil Activity Fund | Transportation Fund | |
| Revenues: | | | | |
| Local sources | 21,035 | 212,633 | 216,126 | 449,794 |
| Federal sources | 150,150 | - | - | 150,150 |
| State sources | 2,717 | - | - | 2,717 |
| Total Revenues | 173,902 | 212,633 | 216,126 | 602,661 |
| Expenditures: | | | | |
| General administration | - | - | 559 | 559 |
| Support services | - | - | 416 | 416 |
| Transportation | - | - | 391,935 | 391,935 |
| Food service | 276,147 | - | - | 276,147 |
| Student activities | - | 258,260 | - | 258,260 |
| Capital outlay | 27,382 | - | - | 27,382 |
| Total Expenditures | 303,529 | 258,260 | 392,910 | 954,699 |
| Excess (Deficiency) of Revenues Over Expenditures | (129,627) | (45,627) | (176,784) | (352,038) |
| Other Financing Sources (Uses) | | | | |
| Transfers in (out) | 100,000 | 33,293 | 210,000 | 343,293 |
| Total Other Financing Sources (Uses) | 100,000 | 33,293 | 210,000 | 343,293 |
| Net Change in Fund Balance | (29,627) | (12,334) | 33,216 | (8,745) |
| Fund Balance - Beginning of Year | 40,380 | 12,335 | 75,313 | 128,028 |
| Fund Balance - End of Year | 10,753 | 1 | 108,529 | 119,283 |

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

South Routt School District RE-3
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
Bond Redemption Fund
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for 2021)

| | 2022 | | | Final Budget Variance Positive (Negative) | 2021 |
|--|--------------------|-----------------|-------------------|--|-------------------|
| | Original Budget | Final Budget | Actual Amounts | | Actual Amounts |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Property taxes levied for general purposes | - | - | - | - | 22,075 |
| Investment income | - | - | 762 | 762 | 1,838 |
| Total Local Sources | - | - | 762 | 762 | 23,913 |
| Total Revenues | - | - | 762 | 762 | 23,913 |
| Expenditures: | | | | | |
| Debt service: | | | | | |
| Principal | 420,000 | 420,000 | 420,000 | - | 785,000 |
| Interest and fiscal charges | 10,500 | 10,500 | 6,321 | 4,179 | 20,313 |
| Total Expenditures | 430,500 | 430,500 | 426,321 | 4,179 | 805,313 |
| Excess (Deficiency) of Revenues Over Expenditures | (430,500) | (430,500) | (425,559) | 4,941 | (781,400) |
| Fund Balance - Beginning of Year | 1,472,290 | 690,890 | 690,890 | - | 1,472,290 |
| Fund Balance - End of Year | 1,041,790 | 260,390 | 265,331 | 4,941 | 690,890 |

The accompanying notes are integral part of these financial statements.

South Routt School District RE-3
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
Capital Reserve Fund
Capital Projects Fund
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for 2021)

| | 2022 | | | Final Budget Variance Positive (Negative) | 2021 |
|--|--------------------|-----------------|-------------------|--|-------------------|
| | Original Budget | Final Budget | Actual Amounts | | Actual Amounts |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Investment income | - | - | 30 | 30 | 672 |
| Total Local Sources | - | - | 30 | 30 | 672 |
| State sources | - | - | - | - | 476,848 |
| Total Revenues | - | - | 30 | 30 | 477,520 |
| Expenditures: | | | | | |
| Capital outlay: | | | | | |
| Buildings and improvements | - | - | 336 | (336) | 874,157 |
| Equipment | - | - | - | - | 138,341 |
| Total Expenditures | - | - | 336 | (336) | 1,012,498 |
| Excess (Deficiency) of Revenues Over Expenditures | - | - | (306) | (306) | (534,978) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | - | - | - | - | 430,685 |
| Total Other Financing Sources (Uses) | - | - | - | - | 430,685 |
| Net Change in Fund Balance | - | - | (306) | (306) | (104,293) |
| Fund Balance - Beginning of Year | 104,293 | - | - | - | 104,293 |
| Fund Balance - End of Year (Deficit) | 104,293 | - | (306) | (306) | - |

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

South Rount School District RE-3
Schedule of Revenues, Expenditures and Changes in Net Position
Assets - Budget and Actual (GAAP Basis)
Special Revenue Fund
Food Service Fund
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for 2021)

| | 2022 | | | Final Budget Variance Positive (Negative) | 2021 |
|--|----------------------|----------------------|----------------------|--|----------------------|
| | Original Budget | Final Budget | Actual Amounts | | Actual Amounts |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Food and ala carte sales | 2,500 | 2,500 | 19,933 | 17,433 | 7,667 |
| Other | - | - | 1,102 | 1,102 | 1,038 |
| Total Local Sources | <u>2,500</u> | <u>2,500</u> | <u>21,035</u> | <u>18,535</u> | <u>8,705</u> |
| Federal sources | 35,500 | 5 | 150,150 | 150,145 | 117,885 |
| State sources | <u>10,000</u> | <u>10,000</u> | <u>2,717</u> | <u>(7,283)</u> | <u>1,301</u> |
| Total Revenues | <u>48,000</u> | <u>12,505</u> | <u>173,902</u> | <u>161,397</u> | <u>127,891</u> |
| Expenditures: | | | | | |
| Food service | 215,050 | 215,050 | 276,147 | (61,097) | 219,274 |
| Capital outlay | - | - | 27,382 | (27,382) | 26,496 |
| Total Expenditures | <u>215,050</u> | <u>215,050</u> | <u>303,529</u> | <u>(88,479)</u> | <u>245,770</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(167,050)</u> | <u>(202,545)</u> | <u>(129,627)</u> | <u>72,918</u> | <u>(117,879)</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | <u>175,000</u> | <u>175,000</u> | <u>100,000</u> | <u>(75,000)</u> | <u>150,000</u> |
| Total Other Financing Sources (Uses) | <u>175,000</u> | <u>175,000</u> | <u>100,000</u> | <u>(75,000)</u> | <u>150,000</u> |
| Net Change in Fund Balance | 7,950 | (27,545) | (29,627) | (2,082) | 32,121 |
| Fund Balance - Beginning of Year | <u>8,259</u> | <u>40,379</u> | <u>40,380</u> | <u>1</u> | <u>8,259</u> |
| Fund Balance - End of Year (Deficit) | <u><u>16,209</u></u> | <u><u>12,834</u></u> | <u><u>10,753</u></u> | <u><u>(2,081)</u></u> | <u><u>40,380</u></u> |

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

South Routt School District RE-3
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
Special Revenue Fund
Student Pupil Activity Fund
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for 2021)

| | <u>2022</u> | | | <u>2021</u> | |
|--|----------------------------|-------------------------|---------------------------|--|---------------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Final Budget Variance Positive (Negative)</u> | <u>Actual Amounts</u> |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Other | 27,798 | - | 212,633 | 212,633 | 95,606 |
| Total Local Sources | <u>27,798</u> | <u>-</u> | <u>212,633</u> | <u>212,633</u> | <u>95,606</u> |
| Total Revenues | <u>27,798</u> | <u>-</u> | <u>212,633</u> | <u>212,633</u> | <u>95,606</u> |
| Expenditures: | | | | | |
| Student activities | 27,798 | 27,798 | 258,260 | (230,462) | 138,315 |
| Total Expenditures | <u>27,798</u> | <u>27,798</u> | <u>258,260</u> | <u>(230,462)</u> | <u>138,315</u> |
| Excess (Deficiency) of Revenues Over Expenditures | - | (27,798) | (45,627) | (17,829) | (42,709) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | - | - | 33,293 | 33,293 | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>33,293</u> | <u>33,293</u> | <u>-</u> |
| Net Change in Fund Balance | - | (27,798) | (12,334) | 15,464 | (42,709) |
| Fund Balance - Beginning of Year | - | 12,335 | 12,335 | - | 55,044 |
| Fund Balance - End of Year (Deficit) | <u>-</u> | <u>(15,463)</u> | <u>1</u> | <u>15,464</u> | <u>12,335</u> |

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

South Routt School District RE-3
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
Special Revenue Fund
Transportation Fund
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for 2021)

| | <u>2022</u> | | | Final Budget Variance Positive (Negative) | <u>2021</u> |
|--|----------------------------|-------------------------|---------------------------|--|---------------------------|
| | Original Budget | Final Budget | Actual Amounts | | Actual Amounts |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Property taxes levied for general purposes | 213,943 | 213,786 | 215,909 | 2,123 | 212,116 |
| Specific ownership taxes | 13 | - | 33 | 33 | 11 |
| Other | - | - | 184 | 184 | - |
| Total Local Sources | <u>213,956</u> | <u>213,786</u> | <u>216,126</u> | <u>2,340</u> | <u>212,127</u> |
| Total Revenues | <u>213,956</u> | <u>213,786</u> | <u>216,126</u> | <u>2,340</u> | <u>212,127</u> |
| Expenditures: | | | | | |
| General administration | - | - | 559 | (559) | 509 |
| Support services | - | - | 416 | (416) | 234 |
| Transportation | <u>213,956</u> | <u>255,056</u> | <u>391,935</u> | <u>(136,879)</u> | <u>136,071</u> |
| Total Expenditures | <u>213,956</u> | <u>255,056</u> | <u>392,910</u> | <u>(137,854)</u> | <u>136,814</u> |
| Excess (Deficiency) of Revenues Over Expenditures | - | (41,270) | (176,784) | (135,514) | 75,313 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in (out) | - | - | 210,000 | 210,000 | - |
| Total Other Financing Sources (Uses) | - | - | 210,000 | 210,000 | - |
| Net Change in Fund Balance | - | (41,270) | 33,216 | 74,486 | 75,313 |
| Fund Balance - Beginning of Year | - | 75,313 | 75,313 | - | - |
| Fund Balance - End of Year | <u>-</u> | <u>34,043</u> | <u>108,529</u> | <u>74,486</u> | <u>75,313</u> |

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



Colorado Department of Education
Auditors Integrity Report
 District: 2780 - South Routt RE 3
 Fiscal Year 2021-22
 Colorado School District/BOCES

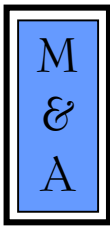
Revenues, Expenditures, & Fund Balance by Fund

| Fund Type & Number | Beg Fund Balance & Prior Per Adj (6880*) | 1000 - 5999 Total Revenues & Other Sources | 0001-0999 Total Expenditures & Other Uses | 6700-6799 & Prior Per Adj (6880*) Ending Fund Balance |
|---|--|--|---|---|
| Governmental | + | | - | = |
| 10 General Fund | 3,429,253 | 13,631,450 | 12,507,180 | 4,553,523 |
| 18 Risk Mgmt Sub-Fund of General Fund | 0 | 0 | 0 | 0 |
| 19 Colorado Preschool Program Fund | 0 | 0 | 0 | 0 |
| Sub- Total | 3,429,253 | 13,631,450 | 12,507,180 | 4,553,523 |
| 11 Charter School Fund | 0 | 0 | 0 | 0 |
| 20,26-29 Special Revenue Fund | 0 | 0 | 0 | 0 |
| 06 Supplemental Cap Const, Tech, Main. Fund | 0 | 0 | 0 | 0 |
| 07 Total Program Reserve Fund | 0 | 0 | 0 | 0 |
| 21 Food Service Spec Revenue Fund | 40,380 | 273,902 | 303,530 | 10,752 |
| 22 Govt Designated-Purpose Grants Fund | 0 | 0 | 0 | 0 |
| 23 Pupil Activity Special Revenue Fund | 12,335 | 245,926 | 258,260 | 1 |
| 25 Transportation Fund | 75,315 | 426,126 | 392,911 | 108,529 |
| 31 Bond Redemption Fund | 690,891 | -310 | 425,250 | 265,331 |
| 39 Certificate of Participation (COP) Debt Service Fund | 0 | 0 | 0 | 0 |
| 41 Building Fund | 0 | 0 | 0 | 0 |
| 42 Special Building Fund | 0 | 0 | 0 | 0 |
| 43 Capital Reserve Capital Projects Fund | 0 | 29 | 336 | -306 |
| 46 Supplemental Cap Const, Tech, Main Fund | 283,452 | 650,089 | 711,713 | 221,828 |
| Totals | 4,531,625 | 15,227,212 | 14,599,180 | 5,159,658 |
| Proprietary | | | | |
| 50 Other Enterprise Funds | 0 | 0 | 0 | 0 |
| 64 (63) Risk-Related Activity Fund | 0 | 0 | 0 | 0 |
| 60,65-69 Other Internal Service Funds | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |
| Fiduciary | | | | |
| 70 Other Trust and Agency Funds | 0 | 0 | 0 | 0 |
| 72 Private Purpose Trust Fund | 0 | 0 | 0 | 0 |
| 73 Agency Fund | 0 | 0 | 0 | 0 |
| 74 Pupil Activity Agency Fund | 0 | 0 | 0 | 0 |
| 79 GASB 34:Permanent Fund | 0 | 0 | 0 | 0 |
| 85 Foundations | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |

FINAL

South Routt School District RE-3
Single Audit Reports and Schedules





MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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

**To the Board of Education
South Routt School District RE-3
Oak Creek, Colorado**

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Routt School District RE-3 (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 March 1, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit on the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 of 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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INDEPENDENT AUDITOR'S REPORT
To the Board of Education
South Routt School District RE-3
Oak Creek, Colorado

Compliance and Other Matters

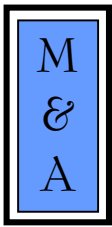
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

Purpose of this Report

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

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
March 1, 2023



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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

**To the Board of Education
South Routt School District RE-3
Oak Creek, Colorado**

Opinion on Each Major Federal Program

We have audited South Routt School District RE-3's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "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.

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**INDEPENDENT AUDITOR'S REPORT
To the Board of Education
South Routt School District RE-3**

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 U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

INDEPENDENT AUDITOR'S REPORT
To the Board of Education
South Routt School District RE-3

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 in the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
March 1, 2023

**South Rount School District RE-3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022**

Part I – Summary of Auditor’s Results

Financial Statements:

| | |
|--|------------|
| Type of auditor’s report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weakness identified | None noted |
| Significant deficiency identified | None noted |
| Noncompliance material to financial statements noted | None noted |

Federal Awards:

| | |
|--|------------|
| Internal control over major programs: | |
| Material weakness identified | None noted |
| Significant deficiency identified | None noted |
| Type of auditor’s report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200 | None noted |
| Major programs: | ALN: |
| Education Stabilization Fund | 84.425 |
| Dollar threshold used to identify Type A from Type B programs | \$750,000 |
| Identified as low-risk auditee | No |

Part II – Findings Related to Financial Statements

| | |
|--|----------------|
| Findings related to financial statements as required by <i>Government Auditing Standards</i> | None noted |
| Auditor-assigned reference number | Not applicable |

Part III – Findings Related to Federal Awards

| | |
|-----------------------------------|------------|
| Internal control findings | No |
| Compliance findings | None noted |
| Questioned costs | None noted |
| Auditor-assigned reference number | None noted |

**South Routt School District RE-3
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022**

There were no findings for the year ended June 30, 2021.

South Routt School District RE-3
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

| <u>Program Title</u> | <u>Federal Assistance Listing</u> | <u>Grant Project Code</u> | <u>Expenditures</u> |
|---|-----------------------------------|---------------------------|----------------------------|
| U.S Department of Education: | | | |
| Passed through Colorado Department of Education: | | | |
| Title I - ESEA | 84.010 | 4010 | \$ 45,783 |
| Individuals with Disabilities Education Act (IDEA), Part D | 84.323 | 5323 | 14,898 |
| Title IV - Small, Rural School Achievement | 84.358 | 4358 | 25,401 |
| Passed through the Colorado Community College System (CCCS): | | | |
| Carl Perkins | 84.048 | 4048 | 399,167 |
| Every Student Succeeds Act (ESSA), Title IV-A - Student Support and Academic Enrichment Grants | 84.424A | 4424 | 10,000 |
| COVID-19 - ESSER - III - 90% | 84.425U | 4414 | 249,594 |
| COVID-19 - Education Stabilization Fund - 90% | 84.425C | 4425 | 165,173 |
| COVID-19 - Governor's Emergency Education Relief Fund | 84.425C | 6425 | 311,105 |
| Subtotal - Education Stabilization Fund | | | <u>725,872</u> |
| Total - U.S. Department of Education | | | <u><u>1,221,121</u></u> |
| U.S Department of Agriculture: | | | |
| Passed through Colorado Department of Education: | | | |
| SNAP: P-EBT mini Grants | 10.649 | 4649 | 614 |
| Seamless summer option (SSO) - lunch | 10.555 | 5555 | 114,486 |
| Supply chain Assistance (SCA) | 10.555 | 6555 | 10,029 |
| Summer Food Service Program for Children | 10.559 | 4559 | 12,616 A |
| Fresh Fruit and Vegetable Programs | 10.582 | 4582 | 9,910 |
| Passed through Colorado Department of Human Services: | | | |
| Food Distribution, Commodities | 10.555 | 4555 | 12,524 A |
| Passed through Garfield County Colorado: | | | |
| Schools and Roads - Grants to States | 10.665 | 7665 | 10,745 B |
| Total - U.S Department of Agriculture | | | <u><u>170,924</u></u> |
| Total Expenditures | | | <u><u>\$ 1,392,045</u></u> |

Additional Information for Clusters:

| | |
|---|-----------|
| A Child Nutrition Cluster | \$ 25,140 |
| B Forest Service Schools and Roads Cluster | 10,745 |

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022

Note 1. Basis of Presentation:

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Garfield School District No. 16 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.

Note 2. Determining the Value of Non-cash Awards Expended:

Food Commodities: Fair market value of commodities at the time recipient receives award or the assessed value provided by the federal agency.

Note 3. Indirect Facilities and Administration Costs

The District has elected to use the 10% de minimis cost rate allowed in Title 2 U.S. Code of Federal Regulations (CFR) Part 200.414, Indirect (F&A) costs.

Note 4. Sub recipients:

The District had no sub-recipients as of June 30, 2022.