

Akron School District R-1
Akron, Colorado

Financial Statements

For the Year ended June 30, 2022

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Independent Auditors' Report

Board of Education
Akron School District R-1
Akron, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Akron School District R-1 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, 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 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing the audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and historical pension and other post-employment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the

United States of America, which consisted of inquires 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information and the auditors' integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the auditors' integrity report are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 19, 2022

**AKRON SCHOOL DISTRICT R-1
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2022**

This section of Akron School District R-1 annual financial report presents its discussion and analysis of the District's financial performance during the year ended June 30, 2022.

Financial Highlights

- The assets and deferred outflows of the Akron School District R-1 exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year. Our net position as of June 30, 2022 is \$12,632,140.
- The district's total net position increased by \$1,802,359, due primarily to the implementation of GASB 68 and 75.
- General revenues accounted for \$5,310,816 or 82% of the \$6,487,150 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$1,176,334 or 22% of revenues.
- The general fund ending fund balance reached \$2,021,303. This was an increase of \$80,376 from last year.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. A comparison to the prior year's activity is normally provided in the document. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statement. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide Statements

The Government-wide financial statements are designed to provide readers with information about the School District as a whole using accounting methods similar to those used by private-sector businesses.

The statement of net position includes all of the School District's assets and deferred outflow of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to 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.). In the government-wide financial statements, the School District's activities include the following:

- **Governmental activities:** Most of the School District’s basic services are included here, such as instruction, transportation, maintenance, operations, administration, food service and pupil activities. Taxes and intergovernmental revenues principally support these activities.

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 School District’s operations, focusing on the most significant or “major” funds, not the School District as a whole. The School District has two kinds of funds: governmental funds and fiduciary funds.

Governmental Funds

Most of the District’s basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School District’s program.

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. Thus, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The School District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and change in fund balances for the General Fund, Bond Redemption Fund and Capital Reserve Capital Projects Fund, which are considered to be major funds. Data for the other two governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Fiduciary Funds

Fiduciary funds are used to count for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 20-21 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 22-57 of this report.

Other information

In addition to the basic financial statements, this report also presents other supplementary information concerning the School District's annual appropriated budgets with comparison statements that demonstrate compliance with budgets. Budgeted amounts may be found on pages 74-90.

Financial Analysis of the School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position.

84% of the School District's assets are capital assets (e.g., land, buildings and equipment). The school District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the district's net position as of June 30, 2022.

	Governmental Activities		Total Percentage Change
	2022	2021	2021-2022
Current and Other assets	\$ 3,920,782	\$ 3,681,753	6.49%
Capital assets	19,900,706	20,353,522	-2.22%
Total assets	23,821,488	24,035,275	-0.89%
Deferred outflows of resources	1,483,050	2,276,067	-34.84%
Total assets and deferred outflows of resources	\$ 25,304,538	\$ 26,311,342	-3.83%
Long term liabilities	\$ 9,589,891	\$ 12,202,408	-21.41%
Other liabilities	524,351	540,429	-2.98%
Total liabilities	10,114,242	12,742,837	-20.63%
Deferred inflows of resources	2,558,156	2,738,724	-6.59%
Net investment in capital assets	15,209,305	15,221,686	-0.08%
Restricted	835,303	756,429	10.43%
Unrestricted	(3,412,468)	(5,148,334)	-33.72%
Total net position	12,632,140	10,829,781	16.64%
Total liabilities, deferred inflows of resources and net position	\$ 25,304,538	\$ 26,311,342	-3.83%

The following table is a summary of the District's change in net position.

Revenues	Governmental Activities		Total Percentage Change
	2022	2021	2021-2022
Program Revenues			
Charges for services	\$ 35,812	\$ 30,342	18.03%
Operating Grants & Contributions	1,135,215	1,189,477	-4.56%
Capital Grants & Contributions	5,307	6,182	-14.15%
General Revenues			
Property taxes	1,889,866	1,798,272	5.09%
State equalization	3,044,637	2,715,529	12.12%
Other	376,313	216,204	74.05%
Total Revenue	6,487,150	5,956,006	8.92%
Expenses			
Instruction	2,345,033	1,819,731	28.87%
Pupil & Instructional Services	335,912	288,498	16.43%
Administration & Business	383,474	322,186	19.02%
Maintenance & Operations	364,314	376,264	-3.18%
Transportation	248,293	209,166	18.71%
Other	1,007,765	1,043,515	-3.43%
Total Expenses	4,684,791	4,059,360	15.41%
Change in net position	\$ 1,802,359	\$ 1,896,646	-4.97%

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994, as amended (SFA). Under the SFA the School District received \$10,548 per funded student. In fiscal year 2022 the funded pupil count was 416.0. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 69 percent of this funding from state equalization while the remaining amount comes from property taxes and specific ownership tax. The School District's assessed valuation generated \$1,218,878 in property taxes for general purposes for fiscal year 2022.

Governmental Funds

The focus of the School 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 School district's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the School District's governmental funds reported combined ending fund balances of \$3,384,482, a decrease of \$247,821. The General Fund, Bond Redemption Fund, Capital Reserve Capital Projects Fund and Other Governmental Funds had fund balance increases (decreases) of \$80,376, \$16,453, \$79,696 and \$71,296 respectively.

General Fund Budget Highlights

The District's budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund.

Budget highlights in the 2021-2022 school year are as follows:

- The District received \$157,378 in small-rural funding.
- The District received \$133,961 in ESSER II funds and \$119,823 in ESSER III funds. Items purchased with these federal funds were required to be in response to the COVID pandemic. ESSER II funds were used to purchase Chromebooks, hot spots for remote learning, jaces and actuators for the HVAC, and partially fund the new counselor's salary and benefits. ESSER III funds were used to address learning loss, which included items for summer workbooks, math interventions, junior high Language Arts online programming, intervention training for two teachers, and partially funded the new elementary reading curriculum.
- All staff members received a raise for 2021-2022. An additional elementary counselor was hired as well to help support our student's mental health needs.
- Student enrollment numbers have continued to increase over the last several years. The increase in class size trend has therefore increased the PPR the District receives.
- Due to the continual increase in class sizes, the District completed a four-classroom addition that was fully utilized for the 2021-2022 school year. These classrooms house vocational business, family and consumer science, elementary special education, and elementary music.
- The Colorado Preschool Program (CPP) Fund is in its eighteenth year and continues to operate without additional District subsidy. With the passing of full-day kindergarten legislation, ECARE slots became available thus allowing the District CPP program to form a community partnership with ABC Daycare and Akron Head Start. The District was able to count those students who qualified for a CPP position and funnel state monies to those community partners.
- The Food Service Program had a successful year. All students received free meals due to COVID. A transfer from the General Fund was required, which consisted of paying the salaries and benefits for the food service employees for the last month of the fiscal year.
- The Bond Redemption Fund is in its tenth year. The State Treasurer's Office allowed the district to refinance the bond since ten years of payments have been made. This dropped the interest rate from 4.082% to 1.91% thus saving Akron's taxpayers approximately \$455,000. The bond will be paid in entirety in 2030.
- The non-profit scholarship trust performed well with interest totaling over \$32,500. This allowed the District to award five \$5,000 Simonsen Scholarships and \$7,500 in Akron Community Scholarships. One \$2,000 scholarship was also awarded from the Trust & Agency account.
- The District completed the fourth year of the five-year lease for the two Thomas buses.

Capital Assets and Debt Administration

Capital Assets

The School Districts investment in capital assets for its governmental activities as of June 30, 2022 amounts to \$19,900,706 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, equipment, and construction in progress all with an original cost greater than \$5,000.

The School District's total capital assets at June 30, 2022 net of accumulated depreciation were as follows:

Additional information on the School District's capital assets can be found in note E to the basic financial statements.

	Governmental Activities
Building & Improvements	\$ 19,655,538
Other Equipment	124,045
Licensed vehicles	<u>121,123</u>
Total Capital Assets	<u>\$ 19,900,706</u>

Long-Term Debt

At year-end, the School District's long-term debt of \$4,745,335 represented its compensated absences of \$53,934, financed purchases of \$808,064 and general obligation bonds of \$3,883,337.

Economic Factors

The budget is based upon the goals and objectives of the accountability committee and the Board of Education. The five goals are: 1) improving student achievement, 2) maintaining a high graduation rate, 3) maintaining a high attendance rate, 4) ensuring a quality learning environment, and 5) retaining and hiring highly qualified staff. Many factors were considered by the District's administration during the process of developing the fiscal year 21-22 budget. Among them:

- Student enrollment increased in FY22, and the enrollment outlook for FY23 is projected to remain steady with a slight increase in student population.
- Health and Property insurance premiums continue to increase, but the Workman's Compensation premiums have decreased.
- Goals continue to be in place to build up reserves in the Capital Reserve Fund, and a transfer from the General Fund to the Capital Reserve Fund for the bus lease and classroom addition continue.
- Goals continue to have the Food Services and Pupil Activity Funds be self-sustaining; however, a transfer of \$10,000 to the Pupil Activity Fund has become necessary due to the increase in officials, supplies, and entry expenses.
- The Bond Redemption Fund is in its tenth year and is used to collect property taxes. Two semi-annual bond debt payments are made from this fund. The specific ownership taxes collected from the bond are deposited into the General Fund.

- The budget included the following considerations:
 - Salary – The beginning teacher’s salary was increased by \$1,250 plus a step, which resulted in a 4.4% raise to all staff members.
 - Fringe benefits – The District will remain with the BEST health insurance program sponsored by CASB. The health insurance premiums increased 5%.
 - PERA – There were no changes to the PERA rates. The employer contribution rate is 20.9% and the employee contribution rate is 10%.
 - Central Support Services – The multi-coverage insurance increased 5%, but the District saved money on Workman’s Compensation Insurance.
 - Operation & Maintenance – The four-classroom addition was complete at the beginning of the 2021-2022 school year. The District continues to work on a permanent fix to the HVAC system. The district also installed additional lighting in the east overflow parking lot, repaired the roof in the long hallway, installed new LED baseball lights, upgraded the sound system at the baseball and football field, and purchased portable coolers for the fieldhouse.
 - Pupil Transportation – The District has been committed to keep the transportation fleet up to date. With the completion of the bus lease in the fall of 2022-2023, the Board of Education will be considering a new bus/small bus/activity bus rotation.
 - Transfers – The district will continue to transfer funds to the Capital Reserve Fund and the Colorado Preschool Program Fund as well as a new transfer to the Pupil Activity Fund.
 - Food Services – Lunch prices remained the same; however, all students received free meals for the 2021-2022 school year due to the COVID pandemic. A transfer from the General Fund was required to assist with salary and benefit expenditures. A transfer has also been budgeted for FY23 as a precaution.

The District maintains the budget, financial audits, and current salary schedules on its website: www.akronrams.net.

Contacting the Districts Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, parents, investors and creditors with a general overview of the District’s finances and to demonstrate the district’s accountability for the money it receives. If you have any questions about this report or need additional information, contact Akron School District RE-1, 600 Elm Avenue, Akron, CO 80720.

Basic Financial Statements

The basic financial statements of the District include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

AKRON SCHOOL DISTRICT R-1
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash	\$ 2,745,526
Cash with fiscal agent	574,222
Certificates of deposit	388,939
Receivables	209,475
Inventories	2,620
Capital assets, net of depreciation	19,900,706
	<hr/>
Total assets	23,821,488
Deferred outflows of resources	
Pension deferrals	1,456,410
Other post-employment benefit deferrals	26,640
	<hr/>
Total deferred outflows of resources	1,483,050
	<hr/>
Total assets and deferred outflows of resources	\$ 25,304,538
	<hr/>
Liabilities	
Accounts payable	\$ 26,113
Accrued salaries and benefits	439,333
Unearned revenues	17,581
Unearned grant revenues	18,183
Accrued interest payable	23,141
Noncurrent liabilities	
Due within one year	459,347
Due in more than one year	4,285,988
Net pension liability	4,620,991
Net OPEB liability	223,565
	<hr/>
Total liabilities	10,114,242
Deferred inflows of resources	
Pension deferrals	2,479,320
Other post-employment benefit deferrals	78,836
	<hr/>
Total deferred inflows of resources	2,558,156
Net position	
Net investment in capital assets	15,209,305
Restricted for:	
Emergencies	165,000
Colorado preschool program	11,539
Debt service	557,035
Food service operations	101,729
Unrestricted (deficit)	(3,412,468)
	<hr/>
Total net position	12,632,140
	<hr/>
Total liabilities, deferred inflows of resources and net position	\$ 25,304,538
	<hr/>

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

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AKRON SCHOOL DISTRICT R-1
Statement of Activities
For the Year Ended June 30, 2022

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 2,345,033	\$ 13,443	\$ 632,688	\$ 5,307
Supporting services				
Students	83,401		63,281	
Instructional staff	252,511		58,903	
General administration	164,456			
School administration	184,027			
Business services	34,991			
Operations and maintenance	364,314		63,210	
Student transportation	248,293		65,404	
Central support services	130,011			
Food service operations	209,085	22,369	251,729	
Interest on long-term debt	146,388			
Unallocated depreciation *	522,281			
Total governmental activities	\$ 4,684,791	\$ 35,812	\$ 1,135,215	\$ 5,307

* This amount excludes depreciation that is included in the direct expenses of the various programs.

General revenues
Taxes
Property taxes, levied for general purposes
Property taxes, levied for debt services
Specific ownership taxes
Delinquent taxes and interest
State categorical aid
Earnings on investments
Other
Total general revenues
Change in net position
Net position at beginning of year
Net position at end of year

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

Net (Expenses)
Revenues and
Changes in
Net Position

Governmental
Activities

\$ (1,693,595)

(20,120)

(193,608)

(164,456)

(184,027)

(34,991)

(301,104)

(182,889)

(130,011)

65,013

(146,388)

(522,281)

(3,508,457)

1,218,878

486,981

180,186

3,821

3,044,637

6,380

369,933

5,310,816

1,802,359

10,829,781

\$ 12,632,140

AKRON SCHOOL DISTRICT R-1
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Other Governmental Funds
Assets				
Cash	\$ 2,058,168		\$ 416,247	\$ 271,111
Cash with fiscal agent	32,494	\$ 541,728		
Certificates of deposit	283,033		104,328	1,578
Property taxes receivable	63,296	25,338		
Grants receivable	91,450			27,614
Other receivables	1,636			141
Inventories				2,620
Total assets	\$ 2,530,077	\$ 567,066	\$ 520,575	\$ 303,064
Liabilities				
Accounts payable	\$ 17,916			\$ 8,197
Accrued salaries and benefits	439,333			
Unearned revenues	8,283			9,298
Unearned grant revenues	18,183			
Total liabilities	483,715	\$ -	\$ -	17,495
Deferred inflows of resources				
Deferred property tax revenues	25,059	10,031		
Total deferred inflows of resources	25,059	10,031	-	-
Fund balance				
Nonspendable inventory				2,620
Restricted for:				
Emergencies	165,000			
Colorado preschool program	11,539			
Debt service		557,035		
Food service operations				101,729
Committed to:				
Capital projects			520,575	
Pupil activities				181,220
Unassigned	1,844,764			
Total fund balance	2,021,303	557,035	520,575	285,569
Total liabilities, deferred inflows of resources and fund balance	\$ 2,530,077	\$ 567,066	\$ 520,575	\$ 303,064

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

Total Governmental Funds	Amounts reported for governmental activities in the statement of net position are different because:	
	Total fund balance - governmental funds	\$ 3,384,482
\$ 2,745,526	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	19,900,706
574,222		
388,939	Property taxes receivable will be collected in the next fiscal year but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenues in the funds.	35,090
88,634		
119,064		
1,777		
2,620		
<u>\$ 3,920,782</u>	Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(23,141)
\$ 26,113		
439,333	Long-term liabilities and related deferred inflows and outflows of resources, including bonds payable, capital lease obligations, compensated absences and net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(10,664,997)</u>
17,581		
18,183		
501,210	Net position of the governmental activities	<u>\$ 12,632,140</u>
35,090		
35,090		
2,620		
165,000		
11,539		
557,035		
101,729		
520,575		
181,220		
1,844,764		
<u>3,384,482</u>		
<u>\$ 3,920,782</u>		

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

AKRON SCHOOL DISTRICT R-1
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Other Governmental Funds
Revenues				
Local sources	\$ 1,470,946	\$ 491,485	\$ 736	\$ 352,113
Intermediate sources	392			
State sources	3,613,553			1,598
Federal sources	434,793			250,130
Total revenues	5,519,684	491,485	736	603,841
Expenditures				
Instruction	3,150,072			316,331
Supporting services	2,069,703			235,747
Debt service				
Principal		351,374	89,061	
Interest and fiscal charges		123,658	31,979	
Total expenditures	5,219,775	475,032	121,040	552,078
Excess of revenues over (under) expenditures	299,909	16,453	(120,304)	51,763
Other financing sources (uses)				
Transfers in			200,000	19,533
Transfers out	(219,533)			
Total other financing sources (uses)	(219,533)	-	200,000	19,533
Net change in fund balances	80,376	16,453	79,696	71,296
Fund balance at beginning of year	1,940,927	540,582	440,879	214,273
Fund balance at end of year	\$ 2,021,303	\$ 557,035	\$ 520,575	\$ 285,569

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

Total Governmental Funds	Amounts reported for governmental activities in the statement of activities are different because:	
	Net change in fund balances - governmental funds	\$ 247,821
\$ 2,315,280	Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the current period.	
392		
3,615,151		
684,923		
6,615,746		(452,816)
3,466,403	Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	
2,305,450		
440,435		
155,637		
6,367,925		(1,963)
247,821	Repayment of principal on bonds and capital lease obligations are expenditures in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.	440,435
219,533	In the statement of activities, certain expenses related to the pension and OPEB liabilities and related deferred outflows and inflows, compensated absences and accrued interest payable, are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
(219,533)		
-		
247,821		
3,136,661	Change in net position of governmental activities	\$ 1,802,359
\$ 3,384,482		

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

AKRON SCHOOL DISTRICT R-1
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	<u>Private Purpose Trust Fund</u>
Assets	
Certificates of deposit	<u>\$ 37,358</u>
Total assets	<u><u>\$ 37,358</u></u>
Liabilities	\$ -
Net position	
Restricted for scholarship recipients	<u>37,358</u>
Total liabilities and net position	<u><u>\$ 37,358</u></u>

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

AKRON SCHOOL DISTRICT R-1
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	<u>Private Purpose Trust Fund</u>
Additions	
Contributions and earnings	<u>\$ 411</u>
Total additions	411
Deductions	
Scholarship awards	<u>2,000</u>
Total deductions	<u>2,000</u>
Change in net position	(1,589)
Net position at beginning of year	<u>38,947</u>
Net position at end of year	<u><u>\$ 37,358</u></u>

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Akron School District R-1’s significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District’s accounting policies are described below.

A.1 – Reporting entity

The Akron School District R-1 is a school district governed by an elected five-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The reporting entity’s financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the District has no component units.

A.2 – Fund accounting

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.” The District does not have any proprietary funds.

Governmental funds are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following are the District’s major governmental funds:

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership 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 and pupil activities.

Bond Redemption – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest, and other fiscal charges.

Capital Reserve Capital Projects Fund – This fund is a capital projects fund used to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

The following are the District’s nonmajor governmental funds:

Food Service Fund – This fund is a special revenue fund used to account for the financial activities associated with the District’s food service operations.

Pupil Activity Fund – This fund is special revenue fund used to record transactions related to school-sponsored pupil organizations and activities.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the District’s own programs. The District has the following fiduciary fund:

Scholarship Trust Fund – This fund is a private-purpose trust fund used to account for resources held by the District in a fiduciary capacity for scholarships to be distributed to area students for post-secondary education.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Note A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Fiduciary funds focus on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The District's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within sixty days after year-end, interest, tuition, grants and student fees.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Expenditures – the measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

A.5 – Encumbrances

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year’s budget.

A.6 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.7 – Inventories

Food Service Fund – purchased inventories are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at the United States Department of Agriculture’s assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when consumed. The federal government donates surplus commodities to the national school lunch program. Commodity distributions used by the District are recorded as revenues at the date of their consumption.

A.8 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>
Buildings and improvements	5-50 years
Other equipment	5-20 years
Licensed vehicles	8 years

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.9 – Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Compensated absences benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated sick leave benefits are paid to employees upon termination of employment.

The District’s policy permits employees to accumulate a limited amount of earned but unused sick leave benefits, which vest upon reaching ten or more years of continuous service and are payable up to fifty days of unused leave at the following rates: teachers – one-half of the current substitute pay; bus drivers – one half of the current trip pay; and hourly employees – one half of the current step one hourly rate.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “accrued compensated absences” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The amount recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

A.10 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds is reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.11 – Fund balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the District's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of education through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.12 – Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

A.13 – Interfund transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.14 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note B – Cash and investments (Continued)

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$3,189,315, of which \$709,516 was insured and \$2,479,799 was collateralized with securities held by the pledging institution’s trust department or agent in the District’s name.

Investments

Authorized Investments – Investment policies are governed by Colorado State Statutes and the District’s own investment policies and procedures. Investments of the District may include:

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

The following table provides a reconciliation of cash and investments on the statement of net position:

Cash in bank	\$ 2,745,526
Cash with fiscal agent	574,222
Certificates of deposit	<u>426,297</u>
Total	<u>\$ 3,746,045</u>
<u>Statement of net position</u>	
Cash	\$ 2,745,526
Cash with fiscal agent	574,222
Certificates of deposit	<u>388,939</u>
Subtotal	3,708,687
<u>Statement of fiduciary net position</u>	
Certificates of deposit	<u>37,358</u>
Total	<u>\$ 3,746,045</u>

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>
Property taxes receivable	\$ 88,634
Grants receivables	119,064
Other receivables	<u>1,777</u>
Total	<u>\$ 209,475</u>

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Washington County bills and collects property taxes for all taxing entities within the counties. The tax receipts collected by the counties are remitted to the District in the subsequent month.

Note D – Interfund transactions

The following is a summary of interfund transfers for the year as presented in the fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General Fund	\$ -	\$ 219,533
Capital Reserve Capital Projects Fund	200,000	
Other Governmental Funds	<u>19,533</u>	<u>-</u>
Total	<u>\$ 219,533</u>	<u>\$ 219,533</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The District transferred funds in the amount of \$200,000 from the General Fund to the Capital Reserve Capital Projects Fund to set moneys aside for capital needs. The District also transferred funds in the amount of \$19,533 from the General Fund to the Other Governmental Funds to subsidize the costs of maintaining the District’s food service operations (\$9,533) and student athletics (\$10,000).

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,036,763	\$ 80,751	\$ -	\$ 25,117,514
Other equipment	305,715	45,525	-	351,240
Licensed vehicles	<u>907,078</u>	<u>-</u>	<u>-</u>	<u>907,078</u>
 Total capital assets, being depreciated	 <u>26,249,556</u>	 <u>126,276</u>	 <u>-</u>	 <u>26,375,832</u>
 Total capital assets	 26,249,556	 126,276	 -	 26,375,832
Less accumulated depreciation for:				
Buildings and improvements	(4,941,613)	(520,363)	-	(5,461,976)
Other equipment	(208,040)	(19,155)	-	(227,195)
Licensed vehicles	<u>(746,381)</u>	<u>(39,574)</u>	<u>-</u>	<u>(785,955)</u>
 Total accumulated depreciation	 <u>(5,896,034)</u>	 <u>(579,092)</u>	 <u>-</u>	 <u>(6,475,126)</u>
 Governmental activities capital assets, net	 <u>\$ 20,353,522</u>	 <u>\$ (452,816)</u>	 <u>\$ -</u>	 <u>\$ 19,900,706</u>

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

Governmental activities	
Instruction	\$ 2,305
Operations and maintenance	453
Student transportation	39,574
Food service operations	14,479
Unallocated	<u>522,281</u>
 Total	 <u>\$ 579,092</u>

Note F – Accrued salaries and benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$439,333. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note G – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balances</u>	<u>Due within</u> <u>one year</u>
Governmental Activities					
Compensated absences	\$ 50,720	\$ 3,214	\$ -	\$ 53,934	\$ -
Financed purchases	897,125	-	(89,061)	808,064	59,701
Bonds payable	<u>4,234,711</u>	<u>-</u>	<u>(351,374)</u>	<u>3,883,337</u>	<u>399,646</u>
Totals	<u>\$ 5,182,556</u>	<u>\$ 3,214</u>	<u>\$ (440,435)</u>	<u>\$ 4,745,335</u>	<u>\$ 459,347</u>

Payments on the financed purchases are made in the Capital Projects Reserve Capital Fund while payments on the bonds payable are made in the Bond Redemption Fund. The compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The District believes that the current portion of compensated absences is negligible and is therefore not reported.

Financed Purchases

Transportation vehicle – In September 2017, the District entered into an agreement with The Farmers State Bank to purchase two 2018 Thomas school buses. The agreement called for a five-year term with annual renewal options. Monthly payments of \$3,576 are due on the 15th of each month, with a final payment due in September 2022. The average interest rate over the term is 3.50%.

The agreement contains a provision that, in the event of default, the lessor may (a) declare the term ended and to take possession of the property or any part, either with or without the process of law, and repossess, using such force as may be necessary, repossess and enjoy without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant. In the event that legal process is necessary to reclaim the property, the lessor shall be entitled to its reasonable attorney fees and costs and expenses.

Facility renovation obligation– In March 2020, the District entered into an agreement with Capital One Public Funding, LLC, to finance the costs to acquire, construct, equip and install a structure for use as school classrooms. The agreement called for a term of one year with annual renewal options. Annual payments of \$78,129 are due on December 1st of each year, with a final payment due in fiscal year 2035. The average interest rate over the term is 3.65%.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note G – Long-term debt (Continued)

The agreement contains a provision that, in the event of default, the lessor may (a) declare all payments and other amounts payable by the District hereunder to the end of the current original term to be immediately due (b) with or without terminating the lease, take possession of the leased property, sell District’s interest in the base lease, or lease the leased property and collect rental payments therefor for all or any portion of the remainder of its leasehold term with the District remaining liable for the difference between the rental payments, additional rental payments and other amounts payable; (c) The lessor may provide written notice of the occurrence of an event of default to the escrow agent, and the escrow agent shall thereupon promptly remit to the lessor the entire balance of the escrow fund established and held under the escrow agreement; or (d) take whatever action at law or in equity may appear necessary or desirable to collect the rental payments then due and thereafter to become due during the then current original term.

Bonds Payable

\$7,084,651 general obligation bonds, dated December 16, 2010, due in annual installments beginning in fiscal year 2012 ranging from \$245,126 to \$503,675. On November 9, 2021, the District entered into a payment schedule amendment agreement with the State of Colorado to reduce the interest rate from 4.08% to 1.90%. Interest is payable semi-annually on June 1st and December 1st of each year.

Total general obligation bonds \$ 3,883,337

The following schedule represents the District’s debt service requirements to maturity for the outstanding long-term debt at year-end:

<u>Year Ending December 31,</u>	<u>Financed Purchases</u>		<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 59,701	\$ 29,167	\$ 399,646	\$ 70,149
2024	50,814	27,315	407,257	62,466
2025	52,668	25,460	415,013	54,636
2026	54,591	23,538	422,917	46,657
2027	56,583	21,546	430,970	38,527
2028-2032	315,444	75,199	1,807,534	69,658
2033-2035	<u>218,263</u>	<u>16,124</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 808,064</u>	<u>\$ 218,349</u>	<u>\$ 3,883,337</u>	<u>\$ 342,093</u>

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

Benefits provided as of December 31, 2021. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. Section 24-51-602, 604, 1713, and 1714.

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

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

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

**Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. Section 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 \$514,296 for the year ended June 30, 2022.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. Section 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-

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability 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 year end, the District reported a liability of \$4,620,991 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 4,620,991
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	<u>529,738</u>
Total	<u>\$ 5,150,729</u>

At December 31, 2021, the District's proportion was 0.0397%, which was a decrease of 0.0051% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$(1,094,161) and revenue of \$56,556 for support from the State as a nonemployer contributing entity. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 189,251	\$ -
Changes of assumptions or other inputs	398,062	-
Net difference between projected and actual earnings on pension plan investments	-	1,813,184
Changes in proportion and differences between contributions recognized and proportionate share of contributions	604,859	666,136
Contributions subsequent to the measurement date	<u>264,238</u>	<u>-</u>
Total	<u>\$ 1,456,410</u>	<u>\$ 2,479,320</u>

\$264,238 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30, _____</u>	<u>Amount</u>
2023	\$ 8,616
2024	(551,137)
2025	(533,750)
2026	<u>(210,877)</u>
Totals	<u>\$ (1,287,148)</u>

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

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

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

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

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

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

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

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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.

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

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

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 6,081,721	\$ 4,620,991	\$ 2,801,253

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

Payables to the pension plan

The District did not report any payables to the pension plan at year-end.

AKRON SCHOOL DISTRICT R-1

Notes to Financial Statements

Note I – Defined contribution pension plan

Voluntary Investment Program

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

Funding policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2022, program members contributed \$7,236 for the Voluntary Investment Program.

Note J – Defined benefit other post-employment benefit (OPEB) plan

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

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

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

PERA Benefit Structure

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

DPS Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$26,387 for the year ended June 30, 2022.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

At year-end, the District reported a liability of \$223,565 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. The District’s proportion of the net OPEB liability was based on the District’s contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the District’s proportion was 0.0259%, which was the same as its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$1,921. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 330	\$ 52,312
Changes of assumptions or other inputs	4,585	12,119
Net difference between projected and actual earnings on OPEB plan investments	-	13,816
Changes in proportion and differences between contributions recognized and proportionate share of contributions	8,168	589
Contributions subsequent to the measurement date	<u>13,557</u>	<u>-</u>
Total	<u>\$ 26,640</u>	<u>\$ 78,836</u>

\$13,557 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 subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

Year Ended June 30, _____	Amount
2023	\$ (17,602)
2024	(19,558)
2025	(18,035)
2026	(8,427)
2027	(1,856)
2028	(275)
Total	<u>\$ (65,753)</u>

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 for the School Division:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40%-11.00%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
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 tie of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

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

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

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

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

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

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

Mortality assumptions used in the December 31, 2020, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TO 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.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 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 the School and Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

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

Disabled mortality assumptions 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.

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.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

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

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

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

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	<u>3.50%</u>	<u>4.50%</u>	<u>5.50%</u>
Net OPEB Liability	\$ 217,145	\$ 223,565	\$ 231,002

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

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

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

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net OPEB liability	\$ <u>259,648</u>	\$ <u>223,565</u>	\$ <u>192,745</u>

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

Payables to the OPEB plan

The District did not report any payables to the OPEB plan at year-end.

Note K – Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

BEST Health Plan

The District joined the Colorado Boards of Education Self-Funded Trust (BEST) in 2008. This partially self-funded trust was established in 2004 to offer a stable, long-term, statewide medical program designed to meet the business objective and challenges of school districts. Medical coverage for the District employees is purchased through the trust.

The District pays a monthly premium to BEST to provide health insurance coverage and services for its plan members. Employees are responsible for paying a deductible amount before the plan begins to pay. The individual deductible amount for fiscal year 2022 was \$2,000 or \$3,500 depending on the type of plan. There is no lifetime maximum benefit for our plan members.

Because there is the potential to incur high cost medical claims, BEST purchases stop-loss coverage to cover claims that exceed its deductible limit, which is currently \$50,000. Each year, the deductible limit is reviewed based on actuarial analysis to determine if paying an additional premium would increase or reduce the ultimate cost of risk to the District. As members of the BEST Health Plan, the District also purchases prescription coverage through the pool.

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note L – Commitments and contingencies

Federal and state funding

The District receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. On November 5, 1996, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$165,000 for the emergency reserve.

Note M – Joint venture

The District participates in the Northeast Colorado Board of Cooperative Educational Services (BOCES). This joint venture does not meet the criteria for inclusion within the reporting entity because the BOCES:

- is financially independent and responsible for its own financing deficits and entitled to its own surpluses,
- has a separate governing board from that of the District,
- has a separate management which is responsible for the day to day operations and is accountable to the separate board,

AKRON SCHOOL DISTRICT R-1
Notes to Financial Statements

Note M – Joint venture (Continued)

- governing board and management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome or disposition of matters affecting the recipients or services provided, and
- has absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

The District has one member on the board. The board has final authority for all budgeting and financing of the joint venture.

Separate financial statements of the Northeast Colorado Board of Cooperative Educational Services are available by contacting their administrative office in Haxtun, Colorado.

For the year, the District's contribution was \$166,931.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of the District's Proportionate Share of the Net Pension Liability – PERA's School Division Trust Fund
- Schedule of District Contributions – PERA's School Division Trust Fund
- Schedule of the District's Proportionate Share of the Net OPEB Liability – PERA's Health Care Trust Fund
- Schedule of District Contributions – PERA's Health Care Trust Fund

AKRON SCHOOL DISTRICT R-1
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 1,370,736	\$ 1,475,277	\$ 1,470,946	\$ (4,331)
Intermediate sources	200	390	392	2
State sources	3,419,785	3,465,645	3,613,553	147,908
Federal sources	1,072,000	923,462	434,793	(488,669)
Total revenues	5,862,721	5,864,774	5,519,684	(345,090)
Expenditures				
Instruction	3,076,700	3,058,955	3,150,072	(91,117)
Supporting services	2,567,236	2,626,630	2,069,703	556,927
Appropriated reserves	1,277,422	1,461,710		1,461,710
Total expenditures	6,921,358	7,147,295	5,219,775	1,927,520
Excess of revenues over (under) expenditures	(1,058,637)	(1,282,521)	299,909	1,582,430
Other financing sources (uses)				
Transfers out	(217,000)	(217,000)	(219,533)	(2,533)
Net change in fund balance	\$ (1,275,637)	\$ (1,499,521)	80,376	\$ 1,579,897
Fund balance at beginning of year			1,940,927	
Fund balance at end of year			\$ 2,021,303	

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AKRON SCHOOL DISTRICT R-1
Schedule of the District's Proportionate Share of the Net Pension Liability¹
PERA's School Division Trust Fund
June 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
District's proportion of the net pension liability	0.0397%	0.0448%	0.0388%	0.0384%
District's proportionate share of the net pension liability	\$ 4,620,991	\$ 6,773,663	\$ 5,789,372	\$ 6,793,888
State's proportionate share of the net pension liability	<u>529,738</u>	<u>-</u>	<u>734,308</u>	<u>928,970</u>
Total	<u>\$ 5,150,729</u>	<u>\$ 6,773,663</u>	<u>\$ 6,523,680</u>	<u>\$ 7,722,858</u>
District's covered payroll	\$ 2,481,638	\$ 2,395,879	\$ 2,277,040	\$ 2,109,308
District's proportionate share of the net pension liability as a percentage of its covered payroll	186.21%	282.72%	254.25%	322.09%
Plan fiduciary net position as a percentage of the total pension liability	74.86%	66.99%	64.52%	57.01%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

¹ Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
0.0441%	0.0439%	0.0441%	0.0443%	0.0468%
\$ 14,268,790	\$ 13,085,555	\$ 6,748,266	\$ 6,004,630	\$ 5,970,431
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 14,268,790</u>	<u>\$ 13,085,555</u>	<u>\$ 6,748,266</u>	<u>\$ 6,004,630</u>	<u>\$ 5,970,431</u>
\$ 2,035,481	\$ 1,972,546	\$ 1,922,860	\$ 1,856,003	\$ 1,887,005
701.00%	663.38%	350.95%	323.52%	316.40%
43.96%	43.10%	59.20%	62.84%	64.06%

AKRON SCHOOL DISTRICT R-1
Schedule of District Contributions¹
PERA's School Division Trust Fund
June 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Contractually required contribution	\$ 514,296	\$ 484,403	\$ 453,589	\$ 418,300
Contributions in relation to the contractually required contribution	<u>(514,296)</u>	<u>(484,403)</u>	<u>(453,589)</u>	<u>(418,300)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,586,998	\$ 2,436,625	\$ 2,340,496	\$ 2,186,620
Contributions as a percentage of covered payroll	19.88%	19.88%	19.38%	19.13%

¹ Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
\$ 389,984	\$ 368,488	\$ 342,891	\$ 321,862	\$ 296,891
<u>(389,984)</u>	<u>(368,488)</u>	<u>(342,891)</u>	<u>(321,862)</u>	<u>(296,891)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,065,309	\$ 2,008,749	\$ 1,933,843	\$ 1,899,897	\$ 1,857,899
18.88%	18.34%	17.73%	16.94%	15.98%

AKRON SCHOOL DISTRICT R-1
Schedule of the District's Proportionate Share of the Net OPEB Liability¹
PERA's Health Care Trust Fund
June 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
District's proportion of the net OPEB liability	0.0259%	0.0259%	0.0253%	0.0249%
District's proportionate share of the net OPEB liability	\$ 223,565	\$ 246,189	\$ 284,643	\$ 339,313
District's covered payroll	\$ 2,481,638	\$ 2,395,879	\$ 2,277,040	\$ 2,109,308
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	9.01%	10.28%	12.50%	16.09%
Plan fiduciary net position as a percentage of the total OPEB liability	39.40%	32.78%	24.49%	17.03%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

¹ Information is not available prior to June 30, 2017. In future reports, additional years will be added until 10 years of historical data are presented.

<u>June 30, 2018</u>	<u>June 30, 2017</u>
----------------------	----------------------

0.0250%	0.0249%
---------	---------

\$ 325,839	\$ 323,895
------------	------------

\$ 2,035,481	\$ 1,972,546
--------------	--------------

16.01%	16.42%
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17.53%	16.72%
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AKRON SCHOOL DISTRICT R-1
Schedule of District Contributions¹
PERA's Health Care Trust Fund
June 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Contractually required contribution	\$ 26,387	\$ 24,854	\$ 23,873	\$ 22,304
Contributions in relation to the contractually required contribution	<u>(26,387)</u>	<u>(24,854)</u>	<u>(23,873)</u>	<u>(22,304)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,586,998	\$ 2,436,625	\$ 2,340,496	\$ 2,186,620
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

¹ Information is not available prior to June 30, 2017. In future reports, additional years will be added until 10 years of historical data are presented.

<u>June 30, 2018</u>	<u>June 30, 2017</u>
\$ 21,066	\$ 20,489
<u>(21,066)</u>	<u>(20,489)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 2,065,309	\$ 2,008,749
1.02%	1.02%

AKRON SCHOOL DISTRICT R-1
Notes to the Required Supplementary Information

Note A – Budgetary data

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the superintendent of schools submits to the board of education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Prior to January 31, the board of education submits its adopted annual budget to the department of education.
5. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the board of education.
6. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year. After budget approval, the District board of education may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted.
8. Appropriations lapse at year-end.

Note B – Factors affecting trends in amounts reported in the pension and OPEB schedules

Information about factors that significantly affect trends in the amounts reported in the Schedules of the District’s Proportionate Share of the Net Pension and OPEB Liabilities and the Schedules of District Contributions is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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Budgetary Comparison Schedules - General Fund

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

AKRON SCHOOL DISTRICT R-1
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 1,129,936	\$ 1,211,027	\$ 1,217,728	\$ 6,701
Specific ownership taxes	168,000	198,450	180,186	(18,264)
Delinquent taxes and interest	3,200	3,600	2,559	(1,041)
Tuition	12,600	12,600	13,443	843
Earnings on investments	5,000	5,000	5,515	515
Other local revenue	52,000	44,600	51,515	6,915
Total local sources	1,370,736	1,475,277	1,470,946	(4,331)
Intermediate sources	200	390	392	2
State sources				
Equalization	3,003,038	3,008,117	3,044,637	36,520
Vocational education	22,000	41,800	41,666	(134)
ELPA professional development	2,800			-
English language proficiency	2,500	3,650	7,810	4,160
Transportation	59,000	64,000	65,404	1,404
State grants to libraries	3,500	4,500	4,500	-
Small rural schools funding	157,378	157,378	157,379	1
Additional at-risk funding	2,000	2,000	2,944	944
Career success pilot program incentives	7,000	15,300	7,777	30,077
Kindergarten capital construction			5,307	5,307
READ Act	7,669	15,400	15,385	(15)
Hygiene products grant			2,500	2,500
Air quality improvement grants			27,300	27,300
On-behalf payment			56,556	56,556
Services within the BOCES	152,900	153,500	174,388	20,888
Total state sources	3,419,785	3,465,645	3,613,553	185,508
Federal sources				
Title I	95,066	96,933	93,913	(3,020)
Title II-A	16,056	16,729	16,036	(693)
Title IV-A	10,000	10,000	10,000	-
ESSER III 90% - LEA Allocation	629,643	504,000	119,823	(384,177)
ESSER II - Distribution 90%	280,357	252,000	133,961	(118,039)
State library program		6,000	6,000	-
Child care assistance block grant			16,885	16,885
REAP	29,000	30,000	30,369	369
Services within the BOCES	11,878	7,800	7,806	6
Total federal sources	1,072,000	923,462	434,793	(488,669)
Total revenues	\$ 5,862,721	\$ 5,864,774	\$ 5,519,684	\$ (307,490)

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AKRON SCHOOL DISTRICT R-1
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Salaries	\$ 1,753,000	\$ 1,756,400	\$ 1,811,596	\$ (55,196)
Employee benefits	684,000	689,555	746,112	(56,557)
Purchased services	375,550	408,000	336,184	71,816
Supplies and materials	248,650	189,500	246,191	(56,691)
Property	15,500	15,500	9,989	5,511
Total instruction	3,076,700	3,058,955	3,150,072	(91,117)
Supporting services				
Students				
Salaries	98,000	98,000	96,778	1,222
Employee benefits	39,000	39,000	39,239	(239)
Purchased services	2,000	2,000	96	1,904
Supplies and materials	3,500	5,000	7,488	(2,488)
Total students	142,500	144,000	143,601	399
Instructional staff				
Salaries	59,000	61,000	65,973	(4,973)
Employee benefits	27,000	27,000	25,862	1,138
Purchased services	28,000	28,100	24,319	3,781
Supplies and materials	15,000	21,000	18,942	2,058
Property	36,000	36,000	158,453	(122,453)
Total instructional staff	165,000	173,100	293,549	(120,449)
General administration				
Salaries	127,000	127,000	125,844	1,156
Employee benefits	38,000	38,000	38,557	(557)
Purchased services	72,900	118,900	68,951	49,949
Supplies and materials	11,000	15,000	9,384	5,616
Total general administration	248,900	298,900	242,736	56,164

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	232,000	232,000	221,122	10,878
Employee benefits	77,000	81,600	76,630	4,970
Purchased services	21,600	21,600	13,184	8,416
Supplies and materials	7,000	10,000	10,639	(639)
Total school administration	337,600	345,200	321,575	23,625
Business services				
Salaries	37,000	37,000	35,258	1,742
Employee benefits	8,200	8,200	8,147	53
Purchased services	8,500	8,500	3,247	5,253
Supplies and materials	2,000	2,000	1,569	431
Other	5,936	8,630	8,702	(72)
Total business services	61,636	64,330	56,923	7,407
Operations and maintenance				
Salaries	145,000	147,000	151,316	(4,316)
Employee benefits	61,000	61,000	63,003	(2,003)
Purchased services	166,300	116,300	122,806	(6,506)
Supplies and materials	145,000	145,000	133,389	11,611
Property	688,000	723,500	113,748	609,752
Total operations and maintenance	1,205,300	1,192,800	584,262	608,538
Student transportation				
Salaries	131,000	131,000	141,995	(10,995)
Employee benefits	62,000	62,000	69,470	(7,470)
Purchased services	20,800	20,800	10,609	10,191
Supplies and materials	62,000	63,500	74,972	(11,472)
Total student transportation	275,800	277,300	297,046	(19,746)

(continued)

AKRON SCHOOL DISTRICT R-1
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2022

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Purchased services	130,500	131,000	130,011	989
Total central support services	130,500	131,000	130,011	989
Total supporting services	2,567,236	2,626,630	2,069,703	556,927
Appropriated reserves	1,277,422	1,461,710		1,461,710
Total expenditures	\$ 6,921,358	\$ 7,147,295	\$ 5,219,775	\$ 1,927,520

**Combining Statements and Budgetary Comparison Schedules –
Nonmajor Governmental Funds**

The District reports the following nonmajor governmental funds:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Food Service Fund – This fund is used to record financial transactions related to the District’s food service operations.
- Pupil Activity Fund – This fund is used to record transactions related to school-sponsored pupil organizations and activities.

AKRON SCHOOL DISTRICT R-1
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Food Service Fund	Pupil Activity Fund	Totals
Assets			
Cash	\$ 83,272	\$ 187,839	\$ 271,111
Certificates of deposit		1,578	1,578
Grants receivables	27,614		27,614
Other receivables	141		141
Inventories	2,620		2,620
Total assets	\$ 113,647	\$ 189,417	\$ 303,064
Liabilities			
Accounts payable		\$ 8,197	\$ 8,197
Unearned revenues	\$ 9,298		9,298
Total liabilities	9,298	8,197	17,495
Fund balance			
Nonspendable inventories	2,620		2,620
Restricted for food service operations	101,729		101,729
Committed to pupil activities		181,220	181,220
Total fund balance	104,349	181,220	285,569
Total liabilities and fund balance	\$ 113,647	\$ 189,417	\$ 303,064

AKRON SCHOOL DISTRICT R-1
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2022

	Food Service Fund	Pupil Activity Fund	Totals
Revenues			
Local sources	\$ 23,371	\$ 328,742	\$ 352,113
State sources	1,598		1,598
Federal sources	250,130		250,130
Total revenues	275,099	328,742	603,841
Expenditures			
Instruction		316,331	316,331
Supporting services	235,747		235,747
Total expenditures	235,747	316,331	552,078
Excess of revenues over (under) expenditures	39,352	12,411	51,763
Other financing sources			
Transfers in	9,533	10,000	19,533
Net change in fund balances	48,885	22,411	71,296
Fund balance at beginning of year	55,464	158,809	214,273
Fund balance at end of year	\$ 104,349	\$ 181,220	\$ 285,569

AKRON SCHOOL DISTRICT R-1
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 15,000	\$ 20,020	\$ 23,371	\$ 3,351
State sources	2,000	2,000	1,598	(402)
Federal sources	204,000	206,320	250,130	43,810
Total revenues	221,000	228,340	275,099	46,759
Expenditures				
Food service operations				
Salaries	57,000	57,000	66,138	(9,138)
Employee benefits	31,000	31,000	21,046	9,954
Purchased services	3,000	3,000	3,253	(253)
Supplies and materials	149,000	150,700	145,310	5,390
Supplies and materials	13,000	49,104		49,104
Total expenditures	253,000	290,804	235,747	55,057
Excess of revenues over (under) expenditures	(32,000)	(62,464)	39,352	(8,298)
Other financing sources				
Transfers in	7,000	7,000	9,533	2,533
Net change in fund balance	\$ (25,000)	\$ (55,464)	48,885	\$ 104,349
Fund balance at beginning of year			55,464	
Fund balance at end of year			\$ 104,349	

AKRON SCHOOL DISTRICT R-1
Pupil Activity Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Pupil activities	\$ 230,000	\$ 230,000	\$ 328,742	\$ 98,742
Total revenues	230,000	230,000	328,742	98,742
Expenditures				
Instruction				
Purchased services			62,163	(62,163)
Supplies and materials	250,000	250,000	254,168	(4,168)
Appropriated reserves	150,000	148,809		148,809
Total expenditures	400,000	398,809	316,331	82,478
Excess of revenues over (under) expenditures	(170,000)	(168,809)	12,411	16,264
Other financing sources				
Transfers in	10,000	10,000	10,000	-
Net change in fund balance	\$ (160,000)	\$ (158,809)	22,411	\$ 181,220
Fund balance at beginning of year			158,809	
Fund balance at end of year			\$ 181,220	

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Budgetary Comparison Schedule - Debt Service Fund

The District reports the following major debt service fund:

Debt Service Fund – These funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- Bond Redemption Fund – The revenues from a tax levy for the purpose of satisfying bonded indebtedness obligations, both principal and interest and related expenditures, shall be recorded in this fund.

AKRON SCHOOL DISTRICT R-1
Bond Redemption Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 535,000	\$ 487,809	\$ 490,094	\$ 2,285
Delinquent taxes and interest	1,800	1,800	1,262	(538)
Earnings on investments	300	200	129	(71)
Total revenues	537,100	489,809	491,485	1,676
Expenditures				
Debt service				
Principal	351,374	351,374	351,374	-
Interest and fiscal charges	165,939	123,658	123,658	-
Appropriated reserves	560,187	555,359		555,359
Total expenditures	1,077,500	1,030,391	475,032	555,359
Net change in fund balance	\$ (540,400)	\$ (540,582)	16,453	\$ 557,035
Fund balance at beginning of year			540,582	
Fund balance at end of year			\$ 557,035	

Budgetary Comparison Schedule - Capital Projects Fund

The District reports the following major capital projects fund:

Capital Projects Fund – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- Capital Reserve Capital Projects Fund – This fund is a capital projects fund used to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

AKRON SCHOOL DISTRICT R-1
Capital Reserve Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 1,000	\$ 800	\$ 736	\$ (64)
Total revenues	1,000	800	736	(64)
Expenditures				
Debt service				
Principal	89,061	89,061	89,061	-
Interest and fiscal charges	31,979	31,979	31,979	-
Appropriated reserves	519,960	520,639		520,639
Total expenditures	641,000	641,679	121,040	520,639
Excess of revenues over (under) expenditures	(640,000)	(640,879)	(120,304)	520,575
Other financing sources				
Transfers in	200,000	200,000	200,000	-
Net change in fund balance	\$ (440,000)	\$ (440,879)	79,696	\$ 520,575
Fund balance at beginning of year			440,879	
Fund balance at end of year			\$ 520,575	

Budgetary Comparison Schedule - Fiduciary Fund

These funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds.

Private-purpose trust funds – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

- Scholarship Trust Fund – This fund is used to record the financial transactions related to the administration of a scholarship trust that is used to award scholarships to area students.

AKRON SCHOOL DISTRICT R-1
Scholarship Trust Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Contributions and earnings	\$ 400	\$ 400	\$ 411	\$ 11
Total revenues	400	400	411	11
Expenditures				
Scholarship awards	2,000	2,000	2,000	-
Total expenditures	2,000	2,000	2,000	-
Change in net position	\$ (1,600)	\$ (1,600)	(1,589)	\$ 11
Net position at beginning of year			38,947	
Net position at end of year			\$ 37,358	

**Colorado Department of Education
Supplementary Schedule**

Auditors' integrity report – This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.



Colorado Department of Education
Auditors Integrity Report
 District: 3030 - Akron R-1
 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	1,919,000	5,109,220	5,018,456	2,009,764
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	21,927	190,931	201,319	11,539
Sub-Total	1,940,927	5,300,151	5,219,775	2,021,303
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	55,464	284,632	235,747	104,349
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	158,809	338,742	316,331	181,220
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	540,582	491,484	475,032	557,035
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	440,879	200,736	121,040	520,575
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	3,136,661	6,615,746	6,367,925	3,384,482
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	38,947	412	2,000	37,358
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	38,947	412	2,000	37,358

FINAL