

Washington County School District R-3
Otis, Colorado

Financial Statements

For the Year ended June 30, 2022

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Independent Auditors' Report

Board of Education
Washington County School District R-3
Otis, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington County School District R-3 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position 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
September 7, 2022

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2022

This section of Washington County School District R-3's 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 resources of Otis School District R-3 exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,965,341 (net position).
- The district's total net position increased by \$1,410,486.
- General revenues accounted for \$3,477,505 or 86% of the \$4,043,314 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$565,809 or 14% of revenues.
- The general fund ending fund balance reached \$2,418,060, an increase of \$441,743 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 statements. 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 outflows 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 and 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 one kind of fund: governmental 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 six 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 and Bond Redemption Fund, which are considered to be major funds. Data for the other four 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.

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 20-53 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 70-86.

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.

85% 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 2021-2022
	2022	2021	
Current and Other assets	\$ 3,267,104	\$ 2,851,546	14.57%
Capital assets	17,901,341	18,360,766	-2.50%
Total assets	21,168,445	21,212,312	-0.21%
Deferred outflows of resources	785,209	1,186,032	-33.80%
Total assets and deferred outflows of resources	\$21,953,654	\$22,398,344	-1.99%
Long term liabilities	\$ 5,194,208	\$ 6,574,114	-20.99%
Other liabilities	222,260	286,805	-22.50%
Total liabilities	5,416,468	6,860,919	-21.05%
Deferred inflows of resources	1,571,845	1,982,570	-20.72%
Net investment in capital assets	16,156,248	16,483,437	-1.98%
Restricted	522,130	495,121	5.46%
Unrestricted	(1,713,037)	(3,423,703)	-49.971%
Total net position	14,965,341	13,554,855	10.41%
Total liabilities, deferred inflows of resources and net position	\$21,953,654	\$22,398,344	-1.99%

Following is a summary of the School District's change in net position.

Revenues	Governmental Activities		Total Percentage Change
	2022	2021	2021-2022
Program Revenues			
Charges for services	\$ 26,151	\$ 16,866	55.05%
Operating Grants & Contributions	539,658	757,457	-28.75%
Capital Grants	-	-	N/A
General Revenues			
Property taxes	856,058	819,783	4.42%
State equalization	2,461,855	2,200,276	11.89%
Other	159,592	144,979	10.08%
Total Revenue	4,043,314	3,939,361	2.64%
Expenses			
Instruction	1,224,097	1,327,317	-7.78%
Pupil & Instructional Services	112,584	103,084	9.22%
Administration & Business	150,123	136,135	10.28%
Maintenance & Operations	338,118	330,287	2.37%
Transportation	140,426	105,229	33.45%
Other	617,480	596,957	3.44%
Total Expenses	2,632,828	2,599,009	1.30%
Change in net position	\$ 1,410,486	\$ 1,340,352	5.23%

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 \$14,052 per funded student. In fiscal year 2021-22 the funded pupil count was 217.7. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 79% 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 \$533,435 in property taxes levied 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 \$3,036,288, an increase of \$490,266.

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.

The District enrollment has declined however, equalization funding increased with the addition of full day Kindergarten funding. The district received \$263,000 from Covid Relief Funds and an additional \$153,000 in Elementary and Secondary School Emergency Relief Funds (ESSER) Funds.

The District over the course of the last year has reduced expenditures and the general fund balance has 7 months in reserve. It is the District's intention to maintain this reserve by keeping expenditures in check.

Food Service has been minimally subsidized by the general fund. Student lunches are no longer paid for by the state. Families are encouraged to apply for free or reduced lunches. Adult prices are \$4.00 and student breakfasts are \$1.50; Preschool through 5th grade lunches are \$2.00 and 6th through 12th are \$2.25. Staff lunches are part of the benefit package this year and are free.

The district is required to support special education needs with mandated paraprofessional educator support. A second special education teacher has just been hired and we are fully staffed with paraprofessional educators.

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 \$17,901,341 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, and capital leases 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:

	Governmental Activities
Land	\$ 23,856
Building Improvements	17,716,171
Equipment & Furniture	74,301
Vehicles	87,013
Total Capital Assets	<u>\$ 17,901,341</u>

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

Long-Term Debt

At year-end, the School District's long-term debt of \$1,745,093 represented its general obligation bonds.

Additional information on the School District's long-term debt can be found in note G to the basic financial statements.

Economic Factors

- Health insurance premiums increased \$41 per employee per month.
- Energy costs are always on the rise and fuel for busses has increased significantly.
- The state economic forecast for 2023 is unknown due to Covid and its impact on the economy.

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 Washington County School District R-3, 518 Dungan Street, Otis, CO 80743.

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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.

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,133,425
Cash with fiscal agent	307,235
Investments	1,517,333
Receivables	300,879
Inventory	8,232
Capital assets, net of depreciation	<u>17,901,341</u>
Total assets	21,168,445
Deferred outflows of resources	
Pension and other post-employment benefit deferrals	758,197
Other post-employment benefit deferrals	<u>27,012</u>
Total deferred outflows of resources	<u>785,209</u>
Total assets and deferred outflows of resources	<u><u>\$ 21,953,654</u></u>
Liabilities	
Accounts payable	\$ 17,668
Accrued salaries and benefits	197,517
Unearned revenue	2,704
Accrued interest payable	4,371
Noncurrent liabilities	
Due within one year	136,211
Due in more than one year	1,608,882
Net pension liability	3,289,947
Net other post-employment benefit liability	<u>159,168</u>
Total liabilities	5,416,468
Deferred inflows of resources	
Pension and other post-employment benefit deferrals	1,505,206
Other post-employment benefit deferrals	<u>66,639</u>
Total deferred inflows of resources	1,571,845
Net position	
Net investment in capital assets	16,156,248
Restricted for:	
Emergencies	110,000
Debt service	298,098
Food service operations	32,911
Scholarships	81,121
Unrestricted (deficit)	<u>(1,713,037)</u>
Total net position	<u>14,965,341</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 21,953,654</u></u>

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

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WASHINGTON COUNTY SCHOOL DISTRICT R-3
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	\$ 1,224,097	\$ 17,104	\$ 361,482	
Supporting services				
Students	75,822		429	
Instructional staff	36,762		25,392	
General administration	90,064			
School administration	23,867			
Business services	36,192			
Operations and maintenance	388,118			
Student transportation	140,426		35,380	
Central support services	39,470			
Food service operations	99,201	9,047	116,975	
Unallocated depreciation *	423,947			
Interest and fiscal charges	54,862			
Total governmental activities	<u>\$ 2,632,828</u>	<u>\$ 26,151</u>	<u>\$ 539,658</u>	<u>\$ -</u>

* 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 service
Specific ownership taxes
Delinquent taxes and interest
State categorical aid
Earnings on investments
Other
Sale of assets
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

Total
Governmental
Activities

\$ (845,511)

(75,393)

(11,370)

(90,064)

(23,867)

(36,192)

(388,118)

(105,046)

(39,470)

26,821

(423,947)

(54,862)

(2,067,019)

533,435

213,210

107,965

1,448

2,461,855

5,962

147,951

5,679

3,477,505

1,410,486

13,554,855

\$ 14,965,341

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 821,289		\$ 312,136	\$ 1,133,425
Cash with fiscal agent	12,791	\$ 294,444		307,235
Investments	1,517,333			1,517,333
Property taxes receivable	22,544	8,884		31,428
Due from other funds	1,032		9,200	10,232
Grants receivable	259,573		9,583	269,156
Other receivables			295	295
Inventories			8,232	8,232
Total assets	\$ 2,634,562	\$ 303,328	\$ 339,446	\$ 3,277,336
Liabilities				
Accounts payable	\$ 10,209		\$ 7,459	\$ 17,668
Due to other funds	9,200	\$ 1,032		10,232
Accrued salaries and benefits	188,364		9,153	197,517
Unearned revenue			2,704	2,704
Total liabilities	207,773	1,032	19,316	228,121
Deferred inflows of resources				
Deferred property tax revenues	8,729	4,198		12,927
Fund balance				
Nonspendable inventories			8,232	8,232
Restricted for:				
Emergencies	110,000			110,000
Debt service		298,098		298,098
Food service operations			32,911	32,911
Scholarships			81,121	81,121
Committed to:				
Pupil activities			60,910	60,910
Capital projects			136,956	136,956
Assigned to risk management	23,144			23,144
Unassigned	2,284,916			2,284,916
Total fund balance	2,418,060	298,098	320,130	3,036,288
Total liabilities, deferred inflows of resources and fund balance	\$ 2,634,562	\$ 303,328	\$ 339,446	\$ 3,277,336

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	\$ 3,036,288
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	17,901,341
Certain receivables 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 revenue in the funds.	12,927
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.	(4,371)
Long-term liabilities and related deferred outflows and inflows of resources, including bonds payable and the 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>(5,980,844)</u>
Net position of the governmental activities	<u><u>\$ 14,965,341</u></u>

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

	General Fund	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 717,376	\$ 214,995	\$ 132,338	\$ 1,064,709
Intermediate sources	212			212
State sources	2,797,148		921	2,798,069
Federal sources	159,243		116,055	275,298
Total revenues	3,673,979	214,995	249,314	4,138,288
Expenditures				
Instruction	1,930,813		133,421	2,064,234
Supporting services	1,261,423		126,784	1,388,207
Capital outlay			8,152	8,152
Debt service				
Principal retirement		132,236		132,236
Interest and fiscal charges		55,193		55,193
Total expenditures	3,192,236	187,429	268,357	3,648,022
Excess of revenues over (under) expenditures	481,743	27,566	(19,043)	490,266
Other financing sources (uses)				
Transfers in			40,000	40,000
Transfers out	(40,000)			(40,000)
Total other financing sources (uses)	(40,000)	-	40,000	-
Net change in fund balances	441,743	27,566	20,957	490,266
Fund balance at beginning of year	1,976,317	270,532	299,173	2,546,022
Fund balance at end of year	<u>\$ 2,418,060</u>	<u>\$ 298,098</u>	<u>\$ 320,130</u>	<u>\$ 3,036,288</u>

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - governmental funds	\$ 490,266
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.	(457,704)
In the statement of activities, no gain (loss) on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase (decrease) financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.	(1,721)
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.	(10,495)
In the statement of activities, certain expenses - 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.)	331
Governmental funds report pension and OPEB contributions as expenditures. However, in the statement of activities, service costs, current year benefit changes, member contributions, expected earnings on plan investments, administrative expenses and recognition of deferred outflows and inflows from the pensions and OPEB are reported as expense.	1,257,573
Repayment of principal on general obligation bonds and capital lease obligations are an expenditure in the governmental funds, but the repayment reduces the long-term debt liability in the statement of net position.	<u>132,236</u>
Change in net position of governmental activities	<u><u>\$ 1,410,486</u></u>

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Washington County School District R-3’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 Washington County School District R-3 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 or fiduciary 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:

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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, risk-related transactions, debt service, food service operations, scholarships and pupil activities.

Bond Redemption Fund – 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.

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 a special revenue fund used to record transactions related to school-sponsored pupil organizations and activities.

Scholarship Fund – This fund is a special revenue fund used to account for the financial transactions related to the administration of scholarships that are awarded to students.

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.

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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.

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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.

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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.

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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>	Governmental	<u>Activities</u>
Buildings and improvements		20-50 years
Furniture and equipment		5-25 years
Licensed vehicles		7-10 years

A.9 – Compensated absences

Certain personnel and full-time employees shall receive eight days’ sick leave each year, accumulative up to 32 days. An employee who has accumulated more than 32 days shall be paid the current substitute rate for any remaining days over 32. An employee who has completed 20 years of service to the district and chooses to leave the district or retire shall be paid for up to the 32 days of accumulative leave at the licensed or certified substitute rate upon leaving.

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 are 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.

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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.

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.13 – Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses 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.

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 a deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$1,141,516, of which \$500,000 was insured and \$641,516 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note B – Cash and investments (Continued)

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

During the year, the District invested in ColoTrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. As of June 30, 2022, the District had invested \$1,517,333 in COLOTRUST PLUS+, an SEC Rule 2a7-like investment pool. Investments are valued at the net asset value (NAV) of \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments.

At year-end, the District had the following investments:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Investment in ColoTrust	\$ 1,517,333	\$ 1,517,333	\$ -	\$ -

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note B – Cash and investments (Continued)

Interest rate risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

Credit risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the highest rating from at least one nationally recognized rating agency at the time of purchase. The District has no investment policy that would further limit its investment choices. At year-end, the District’s investment in treasury bonds are rated AAA by Standard and Poor’s.

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Receivables</u>
Property taxes receivable	\$ 31,428
Grants receivable	269,156
Other receivables	<u>295</u>
Total	<u>\$ 300,879</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 April 15th. Washington County bills and collects property taxes for all taxing entities within the County. The tax receipts collected by the county are remitted to the District in the subsequent month.

Note D – Interfund transactions

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental funds</u>		
General fund	\$ 1,032	\$ 9,200
Bond redemption fund	-	1,032
Other governmental funds	<u>9,200</u>	<u>-</u>
Total	<u>\$ 10,232</u>	<u>\$ 10,232</u>

All balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note D – Interfund transactions (Continued)

	Transfers In	Transfers Out
<u>Governmental funds</u>		
General fund	\$ -	\$ 40,000
Other governmental funds	40,000	-
Total	\$ 40,000	\$ 40,000

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. During the year, the District transferred funds in the amount of \$40,000 from the General Fund to the Other Governmental Funds to set aside funds for capital acquisitions.

Note E – Capital assets

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 23,856	\$ -	\$ -	\$ 23,856
Total capital assets, not being depreciated	23,856	-	-	23,856
Capital assets, being depreciated:				
Buildings and improvements	20,987,805	-	-	20,987,805
Furniture and equipment	303,285	15,552	(11,475)	307,362
Licensed vehicles	473,915	-	-	473,915
Total capital assets, being depreciated	21,765,005	15,552	(11,475)	21,769,082
Total capital assets	21,788,861	15,552	(11,475)	21,792,938
Less accumulated depreciation for:				
Buildings and improvements	(2,847,687)	(423,947)	-	(3,271,634)
Furniture and equipment	(221,949)	(20,866)	9,754	(233,061)
Licensed vehicles	(358,459)	(28,443)	-	(386,902)
Total accumulated depreciation	(3,428,095)	(473,256)	9,754	(3,891,597)
Governmental activities capital assets, net	\$ 18,360,766	\$ (457,704)	\$ (1,721)	\$ 17,901,341

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note E – Capital assets (Continued)

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

Governmental activities		
Instruction	\$	2,316
Business services		1,245
Operations and maintenance		5,563
Student transportation		28,443
Food service operations		11,742
Unallocated		<u>423,947</u>
Total depreciation expense	\$	<u>473,256</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 \$197,517. Accordingly, this accrued compensation is reflected as a liability in the accompanying 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					
Bonds payable	\$ <u>1,877,329</u>	\$ <u>-</u>	\$ <u>(132,236)</u>	\$ <u>1,745,093</u>	\$ <u>136,211</u>

Payments on the general obligation bonds are made in the Bond Redemption Fund.

Bonds Payable

\$2,806,495 general obligation bonds, dated November 27, 2012, due in annual installments beginning in fiscal year 2013 ranging from \$105,478 to \$183,161; fixed annual interest rate of 3.01% payable semi-annually on June 1st and December 1st.

\$ 1,745,093

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note G – Long-term debt (Continued)

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

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 136,211	\$ 50,408
2024	140,306	46,253
2025	144,523	41,972
2026	148,867	37,562
2027	153,342	33,020
2028-2032	838,683	92,046
2033	<u>183,161</u>	<u>2,753</u>
Totals	<u>\$ 1,745,093</u>	<u>\$ 304,014</u>

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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.

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

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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).

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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 \$339,900 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) 22-1029, 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 \$3,289,947 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	\$ 3,289,947
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	<u>377,150</u>
Total	<u>\$ 3,667,097</u>

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

At December 31, 2021, the District’s proportion was 0.0283%, which was a decrease of 0.0017% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized pension expense of (\$947,235) and revenue of \$40,266 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 130,210	\$ -
Changes of assumptions or other inputs	266,327	-
Net difference between projected and actual earnings on pension plan investments	-	1,258,662
Changes in proportion and differences between contributions recognized and proportionate share of contributions	186,820	246,544
Contributions subsequent to the measurement date	<u>174,840</u>	<u>-</u>
Total	<u>\$ 758,197</u>	<u>\$ 1,505,206</u>

\$174,840 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	\$ (66,257)
2024	(370,188)
2025	(335,268)
2026	<u>(150,136)</u>
Totals	<u>\$ (921,849)</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:

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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%.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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	\$ 4,842,533	\$ 3,289,947	\$ 1,994,372

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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, program members contributed \$3,181 and the District recognized pension expense and a liability of \$15,100 and \$0, respectively, 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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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 \$17,440 for the year ended June 30, 2022.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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 \$159,168 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 0.0185%, which was an increase of 0.0012% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of (\$2,891). At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 238	\$ 37,099
Changes of assumptions or other inputs	3,304	8,113
Net difference between projected and actual earnings on OPEB plan investments	-	9,606
Changes in proportion and differences between contributions recognized and proportionate share of contributions	14,499	11,821
Contributions subsequent to the measurement date	<u>8,971</u>	<u>-</u>
Total	<u>\$ 27,012</u>	<u>\$ 66,639</u>

\$8,971 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:

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

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

Year Ended June 30, _____	Amount
2023	\$ (13,543)
2024	(14,434)
2025	(14,832)
2026	(6,693)
2027	701
2028	203
	<u>203</u>
Total	<u>\$ (48,598)</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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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:

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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	\$ 154,598	\$ 159,168	\$ 164,463

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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:

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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>184,858</u>	\$ <u>159,168</u>	\$ <u>137,226</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 participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool’s objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District’s contribution for the year was \$167,200. The District continues to carry commercial insurance for all other 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.

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note L – Commitments and contingencies (Continued)

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 1, 1998, 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 \$110,000 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, 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 of 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. This board has final authority for all budgeting and financing of the joint venture.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Notes to Financial Statements

Note M – Joint Venture (Continued)

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

For the year, the District's financial contribution was \$107,602.

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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
- Notes to the Required Supplementary Information

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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	\$ 683,330	\$ 683,330	\$ 717,376	\$ 34,046
Intermediate sources	125	125	212	87
State sources	2,615,885	2,615,885	2,797,148	181,263
Federal sources	133,945	133,945	159,243	25,298
Total revenues	3,433,285	3,433,285	3,673,979	240,694
Expenditures				
Instruction	2,106,449	2,106,449	1,930,813	175,636
Supporting services	1,456,162	1,456,162	1,261,423	194,739
Appropriated reserves	1,507,764	1,507,764		1,507,764
Total expenditures	5,070,375	5,070,375	3,192,236	1,878,139
Excess of revenues over (under) expenditures	(1,637,090)	(1,637,090)	481,743	2,118,833
Other financing uses				
Transfers out	(60,000)	(60,000)	(40,000)	20,000
Net change in fund balance	\$ (1,697,090)	\$ (1,697,090)	441,743	\$ 2,138,833
Fund balance at beginning of year			1,976,317	
Fund balance at end of year			\$ 2,418,060	

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WASHINGTON COUNTY SCHOOL DISTRICT R-3
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	0.0283%	0.0300%	0.0281%	0.0288%
District's proportionate share of the net pension liability	\$ 3,289,947	\$ 4,531,970	\$ 4,193,254	\$ 5,096,378
State's proportionate share of the net pension liability	<u>377,150</u>	<u>-</u>	<u>531,861</u>	<u>696,859</u>
Total	<u>\$ 3,667,097</u>	<u>\$ 4,531,970</u>	<u>\$ 4,725,115</u>	<u>\$ 5,793,237</u>
District's covered payroll	\$ 1,766,816	\$ 1,603,957	\$ 1,649,406	\$ 1,582,281
District's proportionate share of the net pension liability as a percentage of its covered payroll	186.21%	282.55%	254.23%	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>
0.0318%	0.0322%	0.0317%	0.0319%	0.0308%
\$ 10,280,145	\$ 9,578,780	\$ 4,847,950	\$ 4,319,312	\$ 3,924,502
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 10,280,145</u>	<u>\$ 9,578,780</u>	<u>\$ 4,847,950</u>	<u>\$ 4,319,312</u>	<u>\$ 3,924,502</u>
\$ 1,466,491	\$ 1,444,081	\$ 1,381,381	\$ 1,335,085	\$ 1,240,372
701.00%	663.31%	350.95%	323.52%	316.40%
43.96%	43.10%	59.20%	62.84%	64.06%

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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	\$ 339,900	\$ 343,047	\$ 320,205	\$ 316,555
Contributions in relation to the contractually required contribution	<u>(339,900)</u>	<u>(343,047)</u>	<u>(320,205)</u>	<u>(316,555)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,709,756	\$ 1,725,584	\$ 1,652,238	\$ 1,654,755
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>
\$ 281,491	\$ 267,431	\$ 248,501	\$ 220,184	\$ 207,035
<u>(281,491)</u>	<u>(267,431)</u>	<u>(248,501)</u>	<u>(220,184)</u>	<u>(207,035)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,490,814	\$ 1,455,049	\$ 1,401,018	\$ 1,362,818	\$ 1,294,667
18.88%	18.38%	17.74%	16.16%	15.99%

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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	0.0185%	0.0173%	0.0183%	0.0187%
District's proportionate share of the net OPEB liability	\$ 159,168	\$ 164,815	\$ 206,185	\$ 254,533
District's covered payroll	\$ 1,766,816	\$ 1,603,957	\$ 1,649,406	\$ 1,582,281
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>
----------------------	----------------------

0.0181%	0.0183%
---------	---------

\$ 234,755	\$ 237,120
------------	------------

\$ 1,466,491	\$ 1,444,081
--------------	--------------

16.01%	16.42%
--------	--------

17.53%	16.72%
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WASHINGTON COUNTY SCHOOL DISTRICT R-3
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	\$ 17,440	\$ 17,601	\$ 16,853	\$ 16,879
Contributions in relation to the contractually required contribution	<u>(17,440)</u>	<u>(17,601)</u>	<u>(16,853)</u>	<u>(16,879)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,709,756	\$ 1,725,584	\$ 1,652,238	\$ 1,654,755
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>
----------------------	----------------------

\$ 15,206	\$ 14,842
-----------	-----------

<u>(15,206)</u>	<u>(14,842)</u>
-----------------	-----------------

<u>\$ -</u>	<u>\$ -</u>
-------------	-------------

\$ 1,490,814	\$ 1,455,049
--------------	--------------

1.02%

1.02%

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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	\$ 563,046	\$ 563,046	\$ 543,114	\$ (19,932)
Specific ownership taxes	56,476	56,476	107,965	51,489
Delinquent taxes and interest	1,600	1,600	1,039	(561)
Tuition			6,350	6,350
Earnings on investments	3,293	3,293	5,167	1,874
Pupil activities	9,900	9,900	10,754	854
Other local revenue	49,015	49,015	42,987	(6,028)
Total local sources	683,330	683,330	717,376	34,046
Intermediate sources	125	125	212	87
State sources				
Equalization	2,509,038	2,509,038	2,461,855	(47,183)
Vocational education	7,700	7,700	4,875	(2,825)
Transportation	36,600	36,600	35,380	(1,220)
State grants to libraries	3,500	3,500	4,789	1,289
Small rural funding			87,424	87,424
Additional at-risk funding	1,404	1,404	1,538	134
Hygiene products accessibility grant			2,500	2,500
Mitigation at-risk funding			104,853	104,853
READ Act	6,400	6,400		(6,400)
On-behalf payment			40,266	40,266
Services within the BOCES	51,243	51,243	53,668	2,425
Total state sources	2,615,885	2,615,885	2,797,148	181,263
Federal sources				
ARP ESSER III	68,024	68,024	23,186	(44,838)
ESSER II - distribution 90%			52,523	52,523
ESSER - education stabilization fund			3,865	3,865
SNAP: P-EBT mini grants			614	614
ESF: 10% discretionary			7,887	7,887
State library program			5,812	5,812
REAP	23,525	23,525	23,775	250
Services within the BOCES	42,396	42,396	41,581	(815)
Total federal sources	133,945	133,945	159,243	25,298
Total revenues	\$ 3,433,285	\$ 3,433,285	\$ 3,673,979	\$ 240,694

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WASHINGTON COUNTY SCHOOL DISTRICT R-3
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	\$ 1,216,263	\$ 1,216,263	\$ 1,079,330	\$ 136,933
Employee benefits	456,361	456,361	441,011	15,350
Purchased services	246,825	246,825	218,955	27,870
Supplies and materials	155,800	155,800	182,921	(27,121)
Property	11,000	11,000	1,082	9,918
Other	20,200	20,200	7,514	12,686
Total instruction	2,106,449	2,106,449	1,930,813	175,636
Supporting services				
Students				
Salaries	97,121	97,121	132,040	(34,919)
Employee benefits	36,907	36,907	45,536	(8,629)
Supplies and materials	1,000	1,000	1,308	(308)
Total students	135,028	135,028	178,884	(43,856)
Instructional staff				
Salaries	24,115	24,115	25,731	(1,616)
Employee benefits	9,164	9,164	12,884	(3,720)
Purchased services	25,750	25,750	15,708	10,042
Supplies and materials	14,250	14,250	2,523	11,727
Total instructional staff	73,279	73,279	56,846	16,433
General administration				
Salaries	100,000	100,000	97,000	3,000
Employee benefits	38,500	38,500	23,961	14,539
Purchased services	43,000	43,000	35,041	7,959
Supplies and materials	4,500	4,500	4,821	(321)
Other	12,000	12,000	4,953	7,047
Total general administration	198,000	198,000	165,776	32,224

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	70,000	70,000	45,708	24,292
Employee benefits	26,600	26,600	12,048	14,552
Purchased services	3,500	3,500	225	3,275
Supplies and materials	500	500	1,512	(1,012)
Other	600	600	51	549
Total school administration	101,200	101,200	59,544	41,656
Business services				
Salaries	55,174	55,174	56,484	(1,310)
Employee benefits	22,966	22,966	21,153	1,813
Purchased services	2,000	2,000	1,398	602
Total business services	80,140	80,140	79,035	1,105
Operations and maintenance				
Salaries	108,814	108,814	82,775	26,039
Employee benefits	44,350	44,350	33,503	10,847
Purchased services	229,598	229,598	175,263	54,335
Supplies and materials	140,500	140,500	155,622	(15,122)
Total operations and maintenance	523,262	523,262	447,163	76,099
Student transportation				
Salaries	65,000	65,000	94,576	(29,576)
Employee benefits	26,400	26,400	24,925	1,475
Purchased services	36,868	36,868	23,690	13,178
Supplies and materials	48,000	48,000	42,612	5,388
Property	70,000	70,000		70,000
Total student transportation	246,268	246,268	185,803	60,465

(continued)

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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				
Salaries	64,256	64,256	62,652	1,604
Employee benefits	24,717	24,717	19,335	5,382
Purchased services	3,351	3,351	2,402	949
Supplies and materials	6,661	6,661	3,983	2,678
Total central support services	98,985	98,985	88,372	10,613
Total supporting services	1,456,162	1,456,162	1,261,423	194,739
Appropriated reserves	1,507,764	1,507,764		1,507,764
Total expenditures	<u>\$ 5,070,375</u>	<u>\$ 5,070,375</u>	<u>\$ 3,192,236</u>	<u>\$ 1,878,139</u>

**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.
- Scholarship Fund – This fund is used to account for the financial transactions related to the administration of scholarships that are awarded to students.

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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Nonmajor Governmental Funds
Combining Balance Sheet
For the Year Ended June 30, 2022

	Food Service Fund	Pupil Activity Fund	Scholarship Fund	Capital Reserve Capital Projects Fund
Assets				
Cash	\$ 25,690	\$ 68,369	\$ 81,121	\$ 136,956
Due from other funds	9,200			
Grants receivable	9,583			
Other receivables	295			
Inventory	8,232			
Total assets	\$ 53,000	\$ 68,369	\$ 81,121	\$ 136,956
Liabilities				
Accounts payable		\$ 7,459		
Accrued salaries and benefits	\$ 9,153			
Unearned revenue	2,704			
Total liabilities	11,857	7,459	\$ -	\$ -
Fund balance				
Nonspendable inventory	8,232			
Restricted for:				
Food service operations	32,911			
Scholarships			81,121	
Committed to:				
Pupil activities		60,910		
Capital projects				136,956
Total fund balance	41,143	60,910	81,121	136,956
Total liabilities and fund balance	\$ 53,000	\$ 68,369	\$ 81,121	\$ 136,956

<u>Totals</u>	
\$	312,136
	9,200
	9,583
	295
	<u>8,232</u>
\$	<u><u>339,446</u></u>
\$	7,459
	9,153
	<u>2,704</u>
	19,316
	8,232
	32,911
	81,121
	60,910
	<u>136,956</u>
	320,130
\$	<u><u>339,446</u></u>

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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	Scholarship Fund	Capital Reserve Capital Projects Fund
Revenues				
Local sources	\$ 10,550	\$ 116,975	\$ 4,711	\$ 102
State sources	921			
Federal sources	116,055			
Total revenues	127,526	116,975	4,711	102
Expenditures				
Instruction		112,436	20,985	
Supporting services	126,784			
Capital outlay				8,152
Total expenditures	126,784	112,436	20,985	8,152
Excess of revenues over (under) expenditures	742	4,539	(16,274)	(8,050)
Other financing sources				
Transfers in				40,000
Net change in fund balance	742	4,539	(16,274)	31,950
Fund balance at beginning of year	40,401	56,371	97,395	105,006
Fund balance at end of year	\$ 41,143	\$ 60,910	\$ 81,121	\$ 136,956

<u>Totals</u>	
\$	132,338
	921
	<u>116,055</u>
	249,314
	133,421
	126,784
	<u>8,152</u>
	<u>268,357</u>
	(19,043)
	<u>40,000</u>
	20,957
	<u>299,173</u>
\$	<u><u>320,130</u></u>

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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	\$ 6,015	\$ 6,015	\$ 10,550	\$ 4,535
State sources			921	921
Federal sources	88,000	88,000	116,055	28,055
Total revenues	94,015	94,015	127,526	33,511
Expenditures				
Food service operations				
Salaries	45,995	45,995	50,382	(4,387)
Employee benefits	17,979	17,979	21,393	(3,414)
Purchased services	2,202	2,202	612	1,590
Supplies and materials	56,033	56,033	54,397	1,636
Appropriated reserves	12,000	12,000		12,000
Total expenditures	134,209	134,209	126,784	7,425
Excess of revenues over (under) expenditures	(40,194)	(40,194)	742	40,936
Other financing sources				
Transfers in	20,000	20,000		(20,000)
Net change in fund balance	\$ (20,194)	\$ (20,194)	742	\$ 20,936
Fund balance at beginning of year			40,401	
Fund balance at end of year			\$ 41,143	

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Pupil Activity Fund
Budget Comparison Schedule
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 150,028	\$ 150,028	\$ 116,975	\$ (33,053)
Expenditures				
Instruction				
Purchased services			35,141	(35,141)
Supplies and materials	188,113	188,113	62,205	125,908
Other			15,090	(15,090)
Appropriated reserves	47,204	47,204		47,204
Total expenditures	235,317	235,317	112,436	122,881
Net change in fund balance	\$ (85,289)	\$ (85,289)	4,539	\$ 89,828
Fund balance at beginning of year			56,371	
Fund balance at end of year			\$ 60,910	

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Scholarship 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	\$ 77,271	\$ 77,271	\$ 4,711	\$ (72,560)
Expenditures				
Instruction				
Other	44,200	44,200	20,985	23,215
Appropriated reserves	100,000	100,000		100,000
Total expenditures	144,200	144,200	20,985	123,215
Net change in fund balance	\$ (66,929)	\$ (66,929)	(16,274)	\$ 50,655
Fund balance at beginning of year			97,395	
Fund balance at end of year			\$ 81,121	

WASHINGTON COUNTY SCHOOL DISTRICT R-3
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	\$ 5,153	\$ 5,153	\$ 102	\$ (5,051)
Expenditures				
Capital outlay	123,000	123,000	8,152	114,848
Appropriated reserves	7,150	7,150		7,150
Total expenditures	130,150	130,150	8,152	121,998
Excess of revenues over (under) expenditures	(124,997)	(124,997)	(8,050)	(127,049)
Other financing sources				
Transfers in	20,001	20,001	40,000	19,999
Net change in fund balance	\$ (104,996)	\$ (104,996)	31,950	\$ (107,050)
Fund balance at beginning of year			105,006	
Fund balance at end of year			\$ 136,956	

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Budgetary Comparison Schedule – Bond Redemption 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 – 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.

WASHINGTON COUNTY SCHOOL DISTRICT R-3
Bond Redemption Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
Property taxes	\$ 446,025	\$ 446,025	\$ 214,026	\$ (231,999)
Delinquent taxes and interest	1,147	1,147	409	(738)
Earnings on investments	200	200	560	360
Total revenues	447,372	447,372	214,995	(232,377)
Expenditures				
Debt service				
Principal retirement	164,503	164,503	132,236	32,267
Interest and fiscal charges	76,500	76,500	55,193	21,307
Appropriated reserves	364,523	364,523		364,523
Total expenditures	605,526	605,526	187,429	418,097
Net change in fund balance	\$ (158,154)	\$ (158,154)	27,566	\$ 185,720
Fund balance at beginning of year			270,532	
Fund balance at end of year			\$ 298,098	

**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: 3050 - Otis R-3

Fiscal Year 2021-22

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	1,952,511	3,466,755	3,024,351	2,394,915
18 Risk Mgmt Sub-Fund of General Fund	23,805	167,224	167,886	23,144
19 Colorado Preschool Program Fund	0	0	0	0
Sub-Total	1,976,317	3,633,979	3,192,236	2,418,060
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	97,395	4,711	20,985	81,121
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	40,401	127,526	126,784	41,143
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	56,371	116,975	112,436	60,910
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	270,532	214,995	187,429	298,098
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	105,006	40,102	8,152	136,956
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	2,546,021	4,138,289	3,648,023	3,036,287
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

FINAL