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Lewis-Palmer School District No. 38

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**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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Monument, CO 80132-0040

Administration Office:  
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### Elected Officials Board of Education

Tiffiney Upchurch	President
Theresa Phillips	Vice President
Ron Schwarz	Treasurer
Kris Norris	Secretary
Matthew Clausen	Member

### Administrative Officials

K.C. Somers, Ed	Superintendent
Amber Whetstine	Assistant Superintendent
Brett Ridgway	Chief Business Officer & Assistant Treasurer
Rick Frampton	Executive Director of Student Services
Robert Coulter	Executive Director of Operations
Alicia Welch	Director of Human Resources
Mark Belcher	Director of Communications

### Lewis-Palmer School District 38 Vision, Mission, Strategic Plan & Values



**Mission:** Lewis-Palmer School District is a partnership of parents, the community, and educators that aspires to prepare our students to be successful learners, productive citizens, and caring contributors to society. LPSD seeks to develop each student's talents in a safe, nurturing environment and to inspire a life-long love of learning.



# PORTRAIT OF AN EDUCATOR

District 38 provides educators with the time, resources, encouragement, and professional development necessary to support them feeling successful, valued, fulfilled and balanced in work and life.



LPSD38 EDUCATORS ARE:	AS DEMONSTRATED BY:
<b>CONNECTORS</b>	<ul style="list-style-type: none"> <li>Building relationships with and among students</li> <li>Providing students with relevant, real-world experiences</li> <li>Creating safe, positive, and supportive learning environments</li> </ul>
<b>DIFFERENTIATORS</b>	<ul style="list-style-type: none"> <li>Using a variety of instruction and assessment techniques to meet the needs of each learner</li> <li>Respecting individuality and diversity</li> <li>Supporting the social, emotional, and academic growth of each student</li> </ul>
<b>PROFESSIONALS</b>	<ul style="list-style-type: none"> <li>Demonstrating expertise in content and subject matter</li> <li>Collaborating meaningfully with colleagues and team members</li> <li>Taking advantage of opportunities for growth and development</li> </ul>
<b>FACILITATORS</b>	<ul style="list-style-type: none"> <li>Listening deeply and modeling empathy and compassion</li> <li>Fostering curiosity, growth, and exploration in students</li> <li>Promoting student voice and choice in their learning experiences</li> </ul>

# PORTRAIT OF A GRADUATE

District 38 aspires to develop graduates who are confident and ready to serve as productive, adaptive, caring and balanced contributors empowered to create positive impact.



LPSD38 GRADUATES ARE:	AS DEMONSTRATED BY:
<b>NAVIGATORS</b>	<ul style="list-style-type: none"> <li>Courageous</li> <li>Thoughtful</li> <li>Agile</li> <li>Confident</li> </ul>
<b>CONTRIBUTORS</b>	<ul style="list-style-type: none"> <li>Solutions-Oriented</li> <li>Engaged</li> <li>Productive</li> <li>Competent</li> </ul>
<b>PROBLEM-SOLVERS</b>	<ul style="list-style-type: none"> <li>Analytical</li> <li>Creative</li> <li>Determined</li> <li>Reflective</li> </ul>
<b>CONNECTORS</b>	<ul style="list-style-type: none"> <li>Caring</li> <li>Empathetic</li> <li>Considerate</li> <li>Authentic</li> </ul>
<b>COMMUNICATORS</b>	<ul style="list-style-type: none"> <li>Articulate</li> <li>Resourceful</li> <li>Intentional</li> <li>Balanced</li> </ul>

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
El Paso County School District No. 38 - Lewis-Palmer

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 38 - Lewis-Palmer, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the El Paso County School District No. 38 - Lewis-Palmer'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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 38 - Lewis-Palmer, as of June 30, 2023 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the El Paso County School District No. 38 - Lewis-Palmer 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 El Paso County School District No. 38 - Lewis-Palmer's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional 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 El Paso County School District No. 38 - Lewis-Palmer'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 El Paso County School District No. 38 - Lewis-Palmer'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 and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 38 - Lewis-Palmer's basic financial statements. The accompanying combining and individual fund statements and schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2024 on our consideration of the El Paso County School District No. 38 - Lewis-Palmer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the El Paso County School District No. 38 - Lewis-Palmer's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Paso County School District No. 38 - Lewis-Palmer's internal control over financial reporting and compliance.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
January 17, 2024

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**



This section of the El Paso County School District #38 - Lewis-Palmer's (the District) annual financial statements presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section, including the notes to the financial statements. Key financial highlights for 2023 are as follows:

- The total liabilities and deferred inflows of resources of the Primary Government exceeded its assets including land, buildings, and equipment and deferred outflows of resources at the close of the fiscal year June 30, 2023 by \$1,670,196 for the primary reporting entity. This represented an increase in net position of \$9,153,728. The District participates in the School Division Trust Fund, a cost-sharing multiple employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). Well over one-third of the increase in net position was the result of \$3,504,832 from the amortization of deferred outflows of resources and deferred inflows of resources related to PERA.
- The District has an unrestricted net position of -\$62,985,946 as of June 30, 2023 as compared to an unrestricted net position of -\$63,738,975 as of June 30, 2022.
- Total revenues were \$78,038,054. General revenues accounted for \$60,168,637, in revenue or 77% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$17,869,417 or 23% of total revenue.
- The Primary Government's total net position increased from -\$10,823,924 at June 30, 2022 to -\$1,670,196 at June 30, 2023. This was an increase of \$9,153,728 during the fiscal year or 85%.
- The District incurred \$68,884,326 in expenses related to governmental activities. Of that; \$17,869,417 of these expenses was offset by program specific charges for services, grants and contributions. General revenues, primarily State equalization and property taxes, of \$60,168,637 provided for the remaining funding of activities, including \$10,049,267 directed to the district's component unit, Monument Academy.
- As of June 30, 2023, the District's governmental funds reported a combined ending fund balance of \$29,350,682, a decrease of -\$7,102,777. The primary cause of the fund balance decrease was a -\$6,945,325 decrease in Capital Reserve fund balance – by completing projects that had been previously funded.

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**



- The Governmental Funds had \$255,773 in fund balances designated as non-spendable related to inventory as of June 30, 2023.
- The Governmental Funds Restricted fund balance totaled \$ 11,559,726, with \$2,160,000 held in the General Fund for the emergency contingency required by Article X, Section 20 of the Colorado Constitution, \$7,328,896 held in the Debt Service Fund, \$914,835 held in the Capital Reserve Fund relating to uncompleted projects, and \$1,155,995 held in the Food Services Fund.
- The Governmental Funds Committed fund balance totaled \$ 3,073,197, with \$51,036 for retirement payments in the General Fund, \$867,833 held for projects in the Transportation Fund; and \$2,154,328 held in the Pupil Activities Fund.
- The Governmental Funds Assigned fund balance totaled \$ 3,863,778, with \$1,291,264 for capital projects in General Funds, \$8,498 assigned to Risk Management, and another \$300,000 reported at year end as assigned fund balance in the General Fund relating to the amount that budgeted expenditures exceed budgeted revenues for fiscal year 2022-2023. In addition, \$270,399 is held in the Capital Reserve Fund relating to uncompleted projects, and \$1,993,617 held in the Building Reserve Fund.
- Long-term liabilities increased by \$ 13,334,358.
- At the end of the fiscal year, the Unassigned fund balance, held to manage cash flow in the General Fund was \$ 10,598,208 or 18% of the total General Fund operating revenue because 37% (\$21,845,495) of General Fund operating revenue comes from local property taxes that are received in the last four months of the year.
- The General Funds’ total Non-spendable, Restricted, and Committed fund balance was \$2,415,804. This amount included a restricted balance of \$2,160,000, the emergency contingency required by Article X, Section 20 of the Colorado Constitution, and a committed balance of \$51,036 to retirement payments. The remaining \$204,768 is held in non-spendable inventories.
- Among major funds, the General Fund had \$58,803,182 in revenue, \$55,431,325 in expenditures, and \$3,720,912 in transfers to other funds.

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**



**Overview of the Financial Statements**

This discussion and analysis serves as an introduction to the District’s basic financial statements. The District’s financial statements consist of three components: (1) district-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. The basic financial statements include two kinds of statements that present different views of the District. These two kinds of statements are district-wide financial statements and the fund financial statements, which include all funds of the District.

District-wide financial statements provide both short-term and long-term information about the District’s overall financial status. They consist of two statements and are detailed in pages 1 and 2 of the District’s financial statements.

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

The *Statement of Activities* presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported on a full accrual basis, in other words, as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District include instruction and support services of the District. The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements focus on individual parts of the District, reporting the District’s operations in more detail than the district-wide statements. These statements follow the district-wide statements. These statements tell how basic services such as instruction were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s General Fund budget for the year.

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**



## **Fund Financial Statements**

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

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

Governmental Funds – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow 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 one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the district-wide financial statements explain the relationship (or differences) between them, integral part of this report.

## **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 7-39 of this report.

## **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the District. The District adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The District also presents required pension schedules in this section.

## **Other Information**

The District adopts an annual appropriated budget for all funds. Budgetary comparison schedules have been provided for all other funds to demonstrate compliance with this budget. The combining statements and budgetary schedules are presented immediately following the required supplementary information.

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**



**Government-wide Financial Results**

The following table provides a summary of the District’s Government-wide net position as of June 30, 2023 and 2022, respectively:

**Table 1 – Condensed Statement of Net Position**

	2023	2022	\$ Change	% Change
Current and Other Assets	\$ 34,644,484	\$ 41,944,155	\$ (7,299,671)	H/(L) (17.4%)
Capital Assets	91,136,034	84,347,695	6,788,339	8.0%
<b>Total Assets</b>	<b>125,780,518</b>	<b>126,291,850</b>	<b>(511,332)</b>	<b>(0.4%)</b>
Deferred Outflows of Resources	18,427,974	17,073,680	1,354,294	7.9%
<b>Total Assets &amp; Deferred Outflows</b>	<b>\$144,208,492</b>	<b>\$143,365,530</b>	<b>\$ 842,962</b>	<b>0.6%</b>
Current Liabilities	\$ 5,066,576	\$ 5,379,092	\$ (312,516)	(5.8%)
Long-term Liabilities	129,737,552	116,403,194	13,334,358	11.5%
<b>Total Liabilities</b>	<b>134,804,128</b>	<b>121,782,286</b>	<b>13,021,842</b>	<b>10.7%</b>
Deferred Inflows of Resources	11,074,560	32,407,168	(21,332,608)	(65.8%)
Net Investment in Capital Assets	50,619,854	42,629,057	7,990,797	18.7%
Restricted Net Position	10,695,896	10,285,994	409,902	4.0%
Unrestricted Net Position	(62,985,946)	(63,738,975)	753,029	1.2%
<b>Total Net Position</b>	<b>(1,670,196)</b>	<b>(10,823,924)</b>	<b>9,153,728</b>	<b>84.6%</b>
<b>Total Liabilities, Deferred Inflows &amp; Net Positions</b>	<b>\$144,208,492</b>	<b>\$143,365,530</b>	<b>\$ 842,962</b>	<b>0.6%</b>

The following table provides a summary of the District’s Government-wide activities as of June 30, 2023 and 2022, respectively

**Table 2 – Condensed Statement of Activities**

	2023	2022	\$ Change	% Change
<b>REVENUES</b>				
General Revenues:				H/(L)
Property Taxes	\$ 27,703,065	\$ 26,834,774	\$ 868,291	3.2%
Specific Ownership Taxes	2,910,783	2,843,101	67,682	2.4%
State Equalization	28,509,475	27,009,896	1,499,579	5.6%
Investment Income	602,494	44,573	557,921	1,251.7%
Other General Revenue	442,820	768,856	(326,036)	(42.4%)
Program Revenues:				
Charges for Services	6,395,025	4,894,451	1,500,574	30.7%
Operating Grants/Contributions	11,086,698	10,505,534	581,164	5.5%
Capital Grants/Contributions	387,694	73,005	314,689	431.1%
<b>Total Revenues</b>	<b>78,038,054</b>	<b>72,974,190</b>	<b>5,063,864</b>	<b>6.9%</b>
<b>EXPENSES</b>				
Instruction	35,294,336	22,211,249	13,083,087	58.9%
Supporting Services	32,660,276	15,677,723	16,982,553	108.3%
Interest & Other Fiscal Charges	929,714	1,399,967	(470,253)	(33.6%)
<b>Total Expenses</b>	<b>68,884,326</b>	<b>39,288,939</b>	<b>29,595,387</b>	<b>75.3%</b>
<b>CHANGE IN NET POSITION</b>	<b>9,153,728</b>	<b>33,685,251</b>	<b>(24,531,523)</b>	<b>(72.8%)</b>
Net Position - Beginning	(10,823,924)	(44,509,175)	33,685,251	75.7%
<b>NET POSITION - ENDING</b>	<b>\$ (1,670,196)</b>	<b>\$ (10,823,924)</b>	<b>\$ 9,153,728</b>	<b>84.6%</b>

\* 2022 numbers revised from previously published to correctly account for charter school activity

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**



**Government-wide Financial Analysis**

**Net Position** increased from 2022 levels, by \$9,153,728 to -\$1,670,196.

- Net Investment in Capital Assets was the primary driver of the increase in Net Position, having increased by \$7,990,797.
- Total Assets and Deferred Outflows increased by a modest \$842,962 or 0.6%. Total Liabilities and Deferred Inflows decreased by \$8,310,766 and mostly countered the aforementioned increase Net Position.

**Revenues** increased from 2022 levels, by \$5,063,864 or 6.9%.

- General Revenues increased by \$2,667,437 or 4.6%.
  - The General Revenue increase was driven primarily by an increase in the State Equalization component of the School Finance Act (SFA) of \$1,499,579, plus a \$557,921 increase in Investment Income, offset by lower miscellaneous revenues of \$326,036.
- Program Revenues increased by \$2,396,427 or 15.5%.
  - The Program Revenue increase was driven primarily by increased charges for services of \$942,832. Another factor in this increase was due to changes in the net pension liability related to the District’s participation in PERA. See Note 7 for additional information

**Expenses** increased by \$29,788,163 or 75.3% as reported.

- The expenses reported for 2021-2022 were significantly impacted by the \$25,232,830 adjustment related to Pension expense concerning the net pension liability related to the District’s participation in PERA. See Note 8 for additional information.
- The same entry for 2022-2023 totaled a relatively small \$3,903,324 – a difference of \$21,329,506 from 2021-2022, accounting for over 72% of the year-to-year variance seen in Table 2, leaving \$8,265,881 of non-PERA variance from year-to-year.
- Excluding the PERA-related variance noted above, underlying Total Expenses included the completion of capital projects that drove \$3,864,011 of the \$8,265,881 non-PERA variance noted above, leaving the underlying variance of Total Expenses at \$4,401,870 or 7.4%, which is much more in line with the revenue variance reported above.
- Interest on long-term debt expenses, which is not affected by the PERA accounting noted above, decreased by -\$470,253.

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**



**Financial Analysis of the District’s Funds**

Governmental Funds – The focus of the District’s governmental funds is to provide information on near- term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the District’s net resources available for spending at the end of the fiscal year. As of the end of fiscal year 2023, the District’s governmental funds reported a combined ending fund balance of \$29,350,682.

General Funds – General Funds are the major operating fund of the District, providing the majority of the resources for the educational and support programs.

**Revenues**

All General Funds totaled \$58,803,182 in revenue for the fiscal year 2022-2023, an increase of \$4,778,543 (8.8%) over fiscal year 2021-2022.

**Table 3a – General Funds Revenue Comparison by Source Program**

<b>REVENUES - by Source Program</b>	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Local Sources :				H/(L)
* SFA Property Taxes Collected	\$ 17,832,627	\$ 16,783,595	\$ 1,049,032	6.3%
MLO Property Taxes Collected	4,012,869	3,980,834	32,035	0.8%
* SFA Specific Ownership Taxes	1,806,785	1,679,596	127,189	7.6%
Non-SFA Specific Ownership Taxes	1,103,997	1,163,505	(59,508)	(5.1%)
All Other Local Sources	2,134,462	1,627,041	507,421	31.2%
State Sources :				
* SFA State Equalization	28,509,475	27,009,896	1,499,579	5.6%
PERA Non-Employer Recognized Rev	2,036,202	766,661	1,269,541	165.6%
Other State Revenue	1,334,542	1,019,121	315,421	31.0%
Federal Sources :				
All Federal Sources	<u>32,223</u>	<u>24,390</u>	<u>7,833</u>	<u>32.1%</u>
Total Revenues	<u>\$ 58,803,182</u>	<u>\$ 54,054,639</u>	<u>\$ 4,748,543</u>	<u>8.8%</u>

\* 2022 numbers revised from previously published to correctly account for charter school activity

**Table 3b – General Funds Revenue Comparison by Source Type**

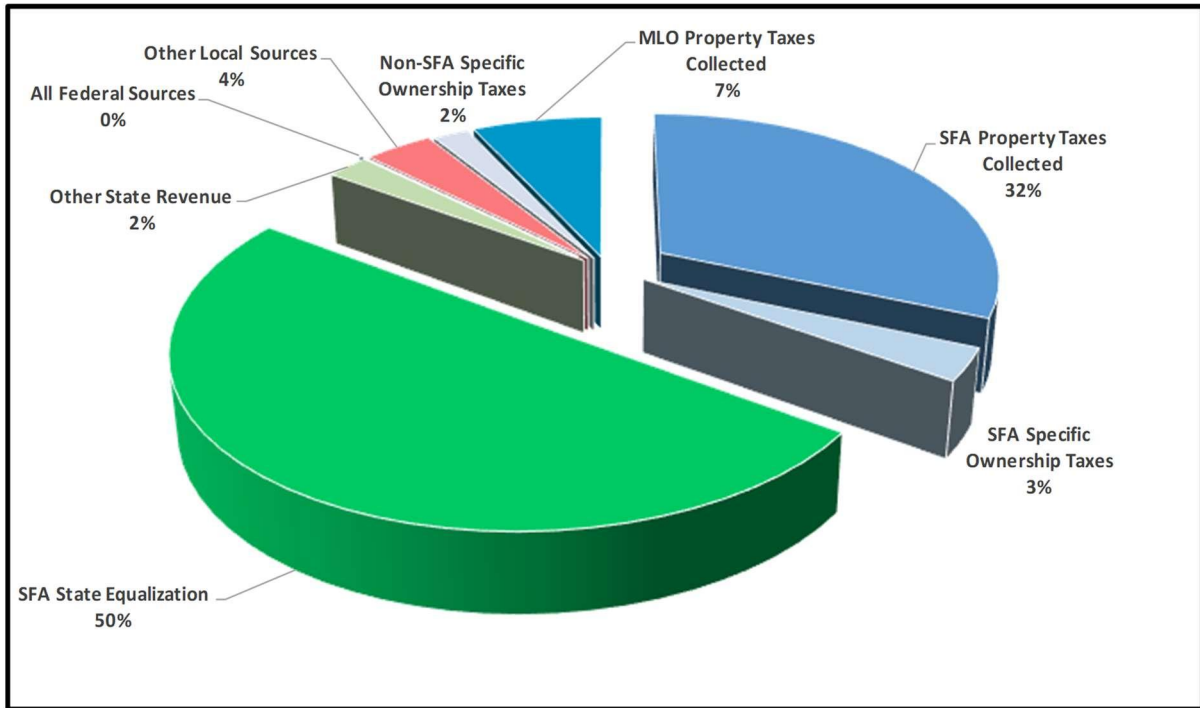
<b>REVENUES - by Source Type</b>				
* SFA (School Finance Act) Revenue	\$ 48,148,887	\$ 45,473,087	\$ 2,675,800	5.9%
MLO Property Taxes	4,012,869	3,980,834	32,035	0.8%
Non-SFA Specific Ownership Taxes	1,103,997	1,163,505	(59,508)	(5.1%)
Other Local Sources	2,134,462	1,627,041	507,421	31.2%
Other State Revenue	1,334,542	1,019,121	315,421	31.0%
All Federal Sources	<u>32,223</u>	<u>24,390</u>	<u>7,833</u>	<u>32.1%</u>
Subtotal Realized Revenue	\$ 56,766,980	\$ 53,287,978	\$ 3,479,002	6.5%
PERA Non-Employer Recognized Rev	2,036,202	766,661	1,269,541	165.6%
Total Revenues Recognized	<u>\$ 58,803,182</u>	<u>\$ 54,054,639</u>	<u>\$ 4,748,543</u>	<u>8.8%</u>

\* 2022 numbers revised from previously published to correctly account for charter school activity

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**



**Table 4 – General Funds Revenue by Source Program / Type**



**General Funds Revenue Analysis**

School Finance Act (SFA) revenue is the vast majority of General Funds Revenue, accounting for \$48,148,887 (81%) [Net of charter portion] of all General Funds Revenue.

- Local SFA Property Taxes contribute \$17,832,627 (37% of SFA revenue, 31% of total revenue)
- Local SFA Specific Ownership Taxes contribute \$1,806,785
- The State Equalization component is \$28,509,475. (59% of SFA revenue, 50% of total revenue)

Mill Levy Override (MLO) revenue is the second largest contributor to General Funds revenue after the SFA, providing \$4,012,869 (7%) of total revenue.

The local tax component of revenue is completed with the remaining allocation of Specific Ownership Taxes (\$1,103,997 - 2%) that are not considered part of the SFA.

The remaining components of General Funds Revenue comes from Other State Revenues (principally Categorical Revenues like Special Education Funding), and Other Local Sources (mostly charter school purchased services and interest income).

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
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**Expenditures**

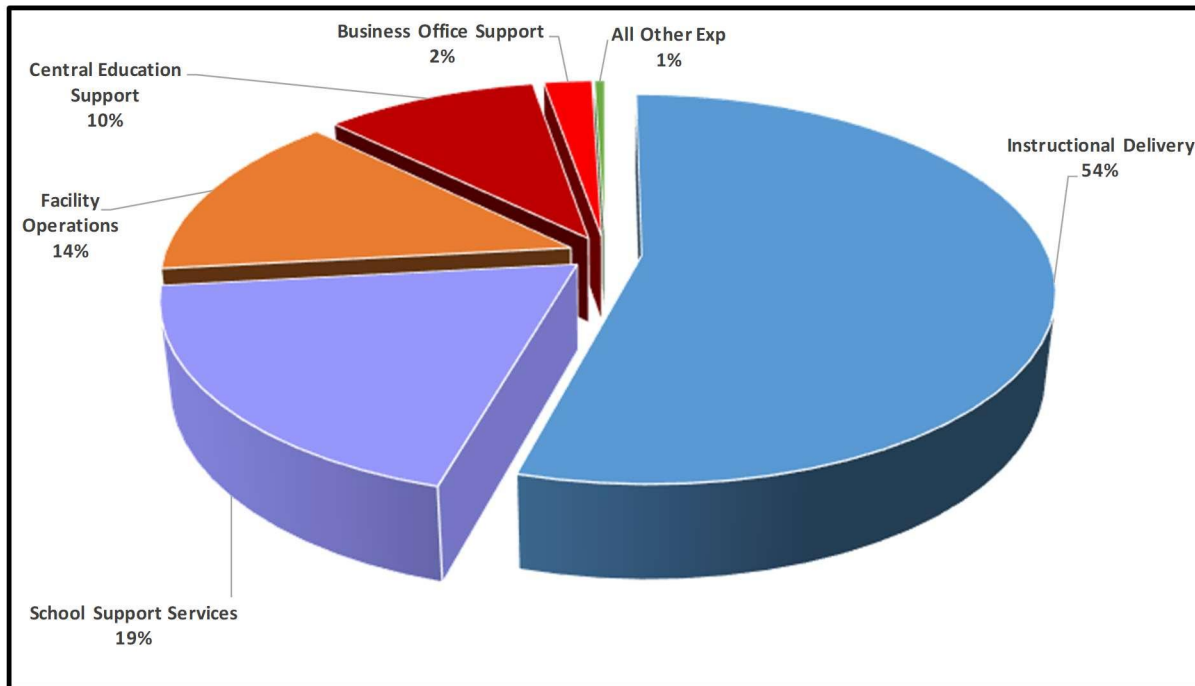
All General Funds totaled \$55,431,325 in expenditures for the fiscal year 2022-2023, an increase of \$7,833,247 (16.5%) over fiscal year 2021-2022.

**Table 5 – General Funds Expenditure Comparison by Function**

<b>EXPENDITURES - by Function</b>	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Local Sources :				H/(L)
Instructional Delivery	\$ 29,031,924	\$ 25,156,635	\$ 3,875,289	15.4%
Support Services :				
Student Supports	3,330,992	3,561,766	(230,774)	(6.5%)
Instructional Staff Supports	3,027,260	3,672,525	(645,265)	(17.6%)
School Administration	3,729,675	3,516,913	212,762	6.0%
Facility Operations & Transportation	7,504,542	6,893,707	610,835	8.9%
Central Education Support	5,316,229	2,411,128	2,905,101	120.5%
Business Office Support & Other	1,196,957	1,508,979	(312,022)	(20.7%)
Capital Outlay	237,973	109,764	128,209	116.8%
Community Services	19,571	-	19,571	
<u>Total Expenditures Realized</u>	<u>\$ 53,395,123</u>	<u>\$ 46,831,417</u>	<u>\$ 6,563,706</u>	<u>14.0%</u>
PERA Non-Employer Instructional	1,228,111	-	1,228,111	165.6%
PERA Non-Employer Non-Instructional	808,091	766,661	41,430	
<u>Total Expenditures Recognized</u>	<u>\$ 55,431,325</u>	<u>\$ 47,598,078</u>	<u>\$ 7,833,247</u>	<u>16.5%</u>

\* 2022 numbers revised from previously published to correctly account for charter school activity

**Table 6 – General Funds Expenditures Realized by Function**



**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
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**General Funds Expenditure Analysis**

The primary takeaway from a review of General Funds Expenditures should note that the aggregate sum of Instructional Delivery, School Support Services (which includes School Administration, Student Support Services and Staff Support Services), and Facility Operations representing \$48,693,304 (91.2%) of the total realized spend – consistent with other school districts’ ratios.

For items typically viewed as ‘overhead’, Central Education Support (which includes assessment coordination and data reporting as well as career-technical education support in addition to the superintendent’s office) accounts for \$3,226,070 - 5.6% of the total realized spend. Business Office Support (which includes Finance, Human Resources and Information Technology) accounts for \$1,217,248 - 2.1% of the total realized spend.

The PERA Non-Employer recognized spend is part of the book-only activity of the net pension liability related to the District’s participation in PERA. See Note 8 for additional information. As a recognized, but not realized spend, this item does not impact cash flow and is perfectly offset by the corresponding recognized revenue items previously mentioned.

In comparing Direct Instructional Delivery to all other realized spends, an appropriate focus of increasing that functional spend relative to the others is evidenced by the \$3,875,289 (15.4%) year-to-year increase’ while all other realized spend functions increased by \$1,451,464 (6.7%) – exclusive of the one-time compensation action noted below.

The increase seen in Central Education Support between 2022-2023 and 2021-2022 includes a one-time compensation action, for \$1,236,953 approved by the Board of Education in December 2022 that was pursued as a result of unspent budget carried forward from the 2021-2022 fiscal year. Without that one-time spend, underlying expense for Central Education Support increased \$1,668,148.

An increased focus in Facility upkeep, as was noted previously in the Capital Reserve fund also had an impact in General Funds as the total spend for Facility Operations increased by \$610,835 or 8.9% from the 2021-2022 fiscal year.

Consistent with the emphasis to increase Direct Instructional Spend was the additional spend realized in School Administration, which increased by \$448,542 or 12.8% from the 2021-2022 fiscal year – a spend that was pursued to better support students in the school locations rather than from the central office.

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
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**Bond Redemption Fund**

The Bond Redemption Fund is used to service the long-term debt not being financed by the Capital Reserve or other funds or financing arrangements. The primary revenue source for the Bond Redemption Fund is the corresponding voter approved mill levies, which were combined to a single levy of 9.429 mills for the 2022-2023 fiscal year assessed to the aggregate Assessed Value of \$701,201,010. This assessment and collection of prior years’ outstanding taxes generated current year revenues of \$6,804,657. These funds were used to satisfy principal and interest requirements on the District’s general obligation debt.

**Grants Fund**

The Grant Fund is used to account for the revenues and expenditures of specific local, state, and federal grant programs. Revenues for the 2022-2023 fiscal year totaled \$5,620,205 compared to \$4,076,518 for the 2021-2022 fiscal year. This increase in revenues is primarily the result of additional Federal funding relating from final allocations of the Education Stabilization Fund (ESSER). The vast majority of revenues and expenditures in the Grants Fund are the result of federal funding directed towards special needs students and students identified as at-risk due to poverty.

**Capital Reserve Fund**

Total revenues for the Capital Reserve Fund, including transfers from the General Fund, amounted to \$2,030,479 while expenditures totaled \$8,975,804. This resulted in a decrease in fund balance of -\$6,945,325 that had been accumulated in the 2021-2022 fiscal year as a result of external financing arrangements and allocations from the General Fund and Building Reserve Fund.

**Non-major Governmental Funds**

Information for non-major governmental funds is aggregated and reported as other governmental funds on the statement of revenues, expenditures, and changes in fund balances for governmental funds. Further detail by fund is reported as part of the other supplementary information section of this report. Included in the District’s non-major governmental funds are:

**Table 7 – Non-major Funds’ Activity**

<b>ACTIVITIES - Nonmajor Fund</b>	<u>External Rev</u>	<u>Allocated Rev</u>	<u>Expenditures</u>	<u>Net</u>	<u>Fund Balance</u>
Nutrition Services	\$ 1,942,156	\$ -	\$ -	\$ (29,633)	\$ 1,207,000
Transportation Services	887,994	1,720,912	2,615,448	(6,542)	867,833
Student Activity Fund	3,066,997		3,491,289	(424,292)	2,154,328
Building Reserve Fund	221,301		18,391	202,910	1,993,617
<b>Total Activity</b>	<u>\$6,118,447</u>	<u>\$ 1,720,912</u>	<u>\$ 8,096,916</u>	<u>\$ (257,557)</u>	<u>\$ 6,222,778</u>

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
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**Nutrition Services Fund**

The Nutrition Services Fund revenues come from charges to users throughout the District and reimbursement for meal expenses under the Federal Child Nutrition Act (FCNA). Fiscal year 2022-2023 revenues totaled \$1,942,156. Expenditures totaled a nearly equal amount of \$1,971,789 and, as a result, fund balance decreased by -\$29,633. Of the total revenue, \$508,891 came from federal sources, \$13,234 came from state sources and the remaining \$1,420,031 came from charges to users and other local sources. Direct Food and Delivery costs accounted for \$742,653 - 38% of fund expenditures, Personnel Costs accounted for \$766,361 - 39%, and other Implementation Costs accounted for 462,775 - 23%.

The Nutrition Services program will see a material change in operations, and funding, in the 2023-2024 fiscal year as a result of the passage of Proposition FF in November 2022. That change will result in all schools participating in the FCNA will have their federal revenues supplemented by state revenue designed to prevent the need for any charges to users. Schools that do not participate in the FCNA will not be covered by the new state program.

**Student Activity Fund**

The Pupil Activity Fund is used to account for the various student activities of the district. The primary sources of funding are participant fees and event admission fees. The fund balance decreased by -\$424,292 for the year with \$3,066,997 in revenues/other financing sources and \$3,491,289 in related expenditures. The vast majority of this activity is experienced in secondary schools – particularly in the high schools because of their significant extracurricular programs. Individual fee amounts are approved annually by the Board of Education as required by statute.

**Transportation Services Fund**

Since the Transportation program at District 38 includes a fee-for-service component, the entire program is accounted for in a separate Special Revenue Fund consistent with state Financial Policies & Procedures guidance. No transportation services associated with Individual Education Plans are charged to families. Revenues in Transportation Services come from a state subsidy (\$511,798 - 20%), charges to users (\$376,195 - 14%), and a general fund subsidy from School Finance Act revenue (\$1,720,912 - 56%). Fuel costs accounted for \$333,673 - 13% of fund expenditures, up from 262,186 spent in 2021-2022. Personnel Costs accounted for \$1,916,984 - 73%, and other Implementation Costs accounted for \$364,791 - 14%.

**Building Reserve Fund**

The Building Reserve Fund is a Capital Expansion Fund. Revenue for fiscal year 2022-2023 was a total of \$221,301, comprised of \$73,259 of investment income and \$148,042 from Fee in-lieu-of land payments from new residential construction around the district. Total fund balance held for a future capital expansion project is now \$1,993,617.

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
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**Budgetary Performance Highlights of District General Funds**

The final fiscal year 2022-2023 amended budget, adopted by the Board of Education, for the District’s General Funds, included a total appropriation of \$54,178,608.

**Table 8 – General Funds Revenue – 2022-2023 Actual vs. Budget**

<b>REVENUES - by Source Program</b>	<u>Actual Results</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
Local Sources :				H/(L)
* SFA Property Taxes Collected	\$ 17,832,627	\$ 17,651,589	\$ 181,038	1.0%
MLO Property Taxes Collected	4,012,869	3,999,651	13,218	0.3%
* SFA Specific Ownership Taxes	1,806,785	1,655,660	151,125	9.1%
Non-SFA Specific Ownership Taxes	1,103,997	1,300,000	(196,003)	(15.1%)
All Other Local Sources	2,134,462	(100,385)	2,234,847	
State Sources :				
* SFA State Equalization	28,509,475	28,977,968	(468,493)	(1.6%)
PERA Non-Employer Recognized Rev				
Other State Revenue	1,334,542	2,333,074	(998,532)	(42.8%)
Federal Sources :				
<u>All Federal Sources</u>	<u>32,223</u>	<u>-</u>	<u>32,223</u>	
Subtotal Realized Revenue	\$ 56,766,980	\$ 55,817,557	\$ 949,423	1.7%
	-			
<u>PERA Non-Employer Recognized Rev</u>	<u>2,036,202</u>		<u>2,036,202</u>	
<u>Total Revenue Recognized</u>	<u>\$ 58,803,182</u>	<u>\$ 55,817,557</u>	<u>\$ 2,985,625</u>	<u>5.3%</u>

\* 2022 numbers revised from previously published to correctly account for charter school activity

The District’s General Funds actual recognized revenue totaled \$58,803,182 or 5.3% greater than budgeted revenues. The majority of that variance was driven by unbudgeted, book-only activity of the net pension liability related to the District’s participation in PERA. See Note 8 for additional information. As a recognized, but not realized revenue, this item does not impact cash flow and is perfectly offset by the corresponding recognized, book-only, expense items previously mentioned

Realized Revenue was \$949,423 - 1.7% higher than budget. The most significant component of revenue – School Finance Act (SFA) revenue was realized even closer – only \$136,330 - 0.3% off of the \$55,817,557 budget.

Revenue allocations to other funds were right on budget, varying only by \$79,088 - 2.1%. These allocations include the previously mentioned transfers to Capital Reserve (#43 - \$2,000,000) and Transportation Services (#25 - \$1,720,912). In addition, there was flow-through revenue from the SFA to the Colorado Preschool Program (CPP #19) of \$321,085. Additional allocations were made to the district’s risk management fund (#18 - \$174,742), and to the district’s capital maintenance fund (#15 - \$1,527,421) all occur within total General Funds and so are not specifically seen in the table above.

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2023**



**Table 9 – General Funds Expenditures – 2022-2023 Actual vs. Budget**

<b>EXPENDITURES - by Function</b>	<u>Actual Results</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
Local Sources :				H/(L)
Instructional Delivery	\$ 29,031,924	\$ 29,531,077	\$ (499,153)	(1.7%)
Support Services :				
Student Supports	3,330,992	3,379,829	(48,837)	(1.4%)
Instructional Staff Supports	3,027,260	3,217,065	(189,805)	(5.9%)
School Administration	3,729,675	3,781,074	(51,399)	(1.4%)
Facility Operations	7,504,542	8,027,138	(522,596)	(6.5%)
Central Education Support	5,316,229	5,444,442	(128,213)	(2.4%)
Business Office Support	1,196,957	1,146,906	50,051	4.4%
Capital Outlay	237,973	(348,923)	586,896	
Community Services	19,571	-	19,571	
<u>Total Expenditures Realized</u>	<u>\$ 53,395,123</u>	<u>\$ 54,178,608</u>	<u>\$ (783,485)</u>	<u>(1.4%)</u>
PERA Non-Employer Instructional	1,228,111	-	1,228,111	
PERA Non-Employer Non-Instructional	808,091	-	808,091	
<u>Total Expenditures Recognized</u>	<u>\$ 55,431,325</u>	<u>\$ 54,178,608</u>	<u>\$ 1,252,717</u>	<u>2.3%</u>

\* 2022 numbers revised from previously published to correctly account for charter school activity

The District’s General Funds actual recognized expenditures totaled \$55,431,325, 2.3% greater than budgeted expenditures. That variance was over budget only because of unbudgeted, book-only activity of the net pension liability related to the District’s participation in PERA. See Note 8 for additional information. As a recognized, but not realized expenditure, this item does not impact cash flow and is perfectly offset by the corresponding recognized, book-only, revenue items previously mentioned

Realized Expenditures were \$783,485 - 1.4% lower than budget and lower than the established appropriation target. The district Business Office prefers to measure budget results in a concept called the Window of Precise Performance (WPP), which is a target for actual results to lie between 98.5% – 101% of the budget. The actual realized expenditures of \$53,395,123 are 98.5% of the budget – right at the floor the WPP target window.

Realized expense performances by function were under budget across the board – but particularly seen in the Instructional Delivery function (\$499,153 - 1.7% below budget) and Facility Operations (\$522,596 - 6.5% below budget). These and the other, more moderate, savings variances were offset with Capital Outlay, which is reported as \$586,896 over budget because that function included a \$1,548,800 total budget savings task that was not distributed to any particular function. Since total realized expenses were under budget, the budget task was achieved with room to spare. Removing that item from the Capital Outlay function would result in an underlying budget target of \$1,199,877, against which only \$237,973 of expense was realized.

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
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**Capital Asset and Debt Administration**

**Capital Assets.** The District’s investment in capital assets for its governmental activities as of June 30, 2023 amounted to \$91,136,034 (net of accumulated depreciation of \$74,834,830). This investment in capital assets includes land, buildings, improvements, machinery and equipment. This is an increase of \$6,788,339 from June 30, 2022 total balances. This increase is due to construction in progress project on energy efficiency improvements.

**Table 10 – Capital Asset Summary**

<b>CAPITAL ASSETS</b>	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Non-Depreciable Assets				H/(L)
Land and Site Improvements	\$ 17,285,788	\$ 14,328,934	\$ 2,956,854	20.6%
Depreciable Assets				
Buildings and Improvements	138,865,656	132,613,671	6,251,985	4.7%
Transportation and Equipment	9,819,420	9,078,496	740,924	8.2%
less: Accumulated Depreciation	<u>(74,834,830)</u>	<u>(71,673,406)</u>	<u>(3,161,424)</u>	4.4%
Net Asset Value	<u>\$ 91,136,034</u>	<u>\$ 84,347,695</u>	<u>\$ 6,788,339</u>	<u>8.0%</u>

Additional information on the District’s capital assets can be found in Note 5 of this report.

**Long Term Debt.** At the end of the 2022-2023 fiscal year, the District had total long-term debt outstanding of \$45,005,033 including \$6,243,378 due within the next twelve months. As of June 30, 2023, the District’s total long-term debt was 6.4% of the assessed valuation of \$701,201,010.

<b>GOVERNMENTAL ACTIVITIES</b>	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
(Excludes PERA-related items)				H/(L)
General Obligation Bonds	\$ 34,857,783	\$ 40,532,491	\$ (5,674,708)	(14.0%)
Financed Purchases	7,477,234	7,747,444	(270,210)	(3.5%)
2005 era Service Bonus	51,036	90,645	(39,609)	(43.7%)
Accrued Compensated Absences	<u>2,618,980</u>	<u>2,361,161</u>	<u>257,819</u>	<u>10.9%</u>
Total Long-Term Debt	<u>\$ 45,005,033</u>	<u>\$ 50,731,741</u>	<u>\$ (5,726,708)</u>	<u>(11.3%)</u>

The District maintains an Aa2 rating through the Colorado State Intercept Program, and underlying ratings of AA- from Standard and Poor’s and Aa2 from Moody’s.

Please refer to Note 6 for additional details concerning the District’s debt.

**EL PASO COUNTY SCHOOL DISTRICT 38 – LEWIS-PALMER  
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JUNE 30, 2023**



At the time of the preparation of these financial statements, the District was aware of existing circumstances that could significantly affect its financial future:

- The District’s enrollment has been relatively flat for many years. Slight increases in one year are often countered by slight decreases in other years. Across the grade levels, the district shows consistent growth as a cohort matriculates through the elementary years (up through grade 6) where it flattens out for the secondary years. For the 2022-2023 school year, total enrollment increased by just 11 students (0.2%) when compared to the 2021-2022 school year. There is some thought, however, that there could be a growth trend in the coming years as both single family and multi-unit residential new construction will be increasing in the near future.
- The State of Colorado administers cost-sharing multiple-employer pension and health care trusts for public employees (Colorado PERA). The District is a member as detailed in Notes 7 and 7 of this document. In 2018, the State enacted legislation designed to fully fund the School Division of the trust over the next 30 years. The liabilities related to this plan have historically increased benefit costs for the District. This trend is projected to continue.
- Experts continue to indicate that the State of Colorado has a structural imbalance in its revenue and related funding needs. Increased costs in Medicaid and constitutional school funding requirements are predicted to outstrip revenues materially over the next decade. The Board of Education continues to review the situation and plan toward this as one of many possibilities.
- The District’s Net Assessed Valuation increased 0.7% from \$696,101,810 in the 2021 tax year to \$701,201,010 in 2022. This increase represents an ‘off year’ in the full biennial revaluation process that happens every odd-numbered year. The 2023 tax year, as a full revaluation year, will see increases above 30% as the national spike in property values comes to bear in the official county valuations of real property.
- The District continues to rank in the top performing school districts in the State based upon State standardized tests. In 2010, the Colorado Department of Education began accrediting school districts in the top 7 – 12% of the State as “accredited with distinction”. The District earned this ranking from 2010 through 2022. – though the state's accountability system was paused for new data for 2019-20 and 2020-21 COVID pandemic impacted school years.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of Lewis-Palmer School District’s finances. If you have questions about this report or need additional financial information, contact the Finance Department, PO Box 40, Monument, CO 80132.

## **BASIC FINANCIAL STATEMENTS**

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Charter School</b>
<b>ASSETS</b>		
Cash and investments	\$ 24,316,284	\$ 3,977,703
Restricted cash and investments	7,977,320	2,743,837
Taxes receivable	997,731	-
Grants receivable	1,006,450	398,050
Other receivables	90,926	9,908
Inventories and prepaid items	255,773	-
Capital assets, not being depreciated	17,285,788	2,404,861
Capital assets, net of accumulated depreciation/amortization	<u>73,850,246</u>	<u>28,415,546</u>
Total assets	<u>125,780,518</u>	<u>37,949,905</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	955,038	1,388,979
Deferred pension outflows	17,059,431	2,861,119
Deferred OPEB outflows	<u>413,505</u>	<u>115,801</u>
Total deferred outflows of resources	<u>18,427,974</u>	<u>4,365,899</u>
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	992,784	304,038
Accrued salaries and benefits	2,802,935	978,103
Unearned revenue	1,199,138	97,379
Accrued interest payable	71,719	234,276
Long-term liabilities:		
Due within one year	6,243,378	949,286
Due in more than one year	38,761,655	39,260,386
Net pension liability	81,940,555	12,471,899
Net OPEB liability	<u>2,791,964</u>	<u>424,946</u>
Total liabilities	<u>134,804,128</u>	<u>54,720,313</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension inflows	10,000,359	860,627
Deferred OPEB inflows	<u>1,074,201</u>	<u>149,667</u>
Total deferred inflows of resources	<u>11,074,560</u>	<u>1,010,294</u>
<b>NET POSITION</b>		
Net investment in capital assets	50,619,854	(7,925,948)
Restricted for:		
Emergency reserve (TABOR)	2,160,000	400,000
Debt service	7,328,896	2,511,319
Food service operations	1,207,000	-
Preschool activities	-	99,162
Pupil activities	-	112,366
Unrestricted	<u>(62,985,946)</u>	<u>(8,611,702)</u>
Total net position	<u>\$ (1,670,196)</u>	<u>\$ (13,414,803)</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Component Unit</u>
<b>Primary government</b>						
Governmental activities						
Instruction	\$ 35,294,336	\$ 4,596,179	\$ 8,799,031	\$ 387,694	\$ (21,511,432)	\$ (6,041,386)
Supporting services	30,633,022	411,077	1,765,542	-	(28,456,403)	(4,231,712)
Food service operations	1,933,233	1,387,769	522,125	-	(23,339)	-
Community services	19,057	-	-	-	(19,057)	-
Facilities acquisition	74,964	-	-	-	(74,964)	-
Interest and other fiscal charges	929,714	-	-	-	(929,714)	(2,023,329)
Total primary government	<u>\$ 68,884,326</u>	<u>\$ 6,395,025</u>	<u>\$ 11,086,698</u>	<u>\$ 387,694</u>	<u>(51,014,909)</u>	
<b>Component unit</b>						
Charter school	<u>\$ 17,278,591</u>	<u>\$ 3,718,242</u>	<u>\$ 876,228</u>	<u>\$ 387,694</u>		<u>(12,296,427)</u>
General revenues:						
Property taxes					27,703,065	692,891
Specific ownership taxes					2,910,783	-
State equalization					28,509,475	-
Per pupil revenue					-	10,049,267
Grants and contributions not restricted to specific programs					32,223	7,371
Unrestricted investment earnings					602,494	161,793
Miscellaneous					410,597	632,587
Total general revenues					60,168,637	11,543,909
Change in net position					9,153,728	(752,518)
Net position - beginning, (deficit)					(10,823,924)	(12,662,285)
Net position - ending (deficit)					<u>\$ (1,670,196)</u>	<u>\$ (13,414,803)</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	General Fund	Designated - Purpose Grants Fund	Bond Redemption Fund	Capital Reserve Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 18,097,079	\$ -	\$ -	\$ 26,196	\$ 6,193,009	\$ 24,316,284
Restricted cash and investments	-	-	7,062,485	914,835	-	7,977,320
Taxes receivable	824,036	-	173,695	-	-	997,731
Grants receivable	-	986,361	-	-	20,089	1,006,450
Other receivables	56,742	1,882	-	-	32,302	90,926
Due from other funds	1,973,406	1,553,289	161,943	253,678	1,188,295	5,130,611
Inventories and prepaid items	204,768	-	-	-	51,005	255,773
Total assets	\$ 21,156,031	\$ 2,541,532	\$ 7,398,123	\$ 1,194,709	\$ 7,484,700	\$ 39,775,095
<b>LIABILITIES</b>						
Accounts payable and other current liabilities	\$ 703,820	\$ 213,796	\$ -	\$ 9,475	\$ 65,693	\$ 992,784
Accrued salaries and benefits	2,483,284	193,997	-	-	125,654	2,802,935
Due to other funds	3,125,435	1,020,844	-	-	984,332	5,130,611
Unearned revenue	-	1,112,895	-	-	86,243	1,199,138
Total liabilities	6,312,539	2,541,532	-	9,475	1,261,922	10,125,468
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue-property taxes	229,718	-	69,227	-	-	298,945
Total deferred inflows of resources	229,718	-	69,227	-	-	298,945
<b>FUND BALANCES</b>						
Nonspendable for:						
Inventories and prepaid expenses	204,768	-	-	-	51,005	255,773
Emergency reserve (TABOR)	2,160,000	-	-	-	-	2,160,000
Debt service	-	-	7,328,896	-	-	7,328,896
Food service operations	-	-	-	-	1,155,995	1,155,995
Capital projects	-	-	-	914,835	-	914,835
Committed for:						
Retirement payments	51,036	-	-	-	-	51,036
Pupil activities	-	-	-	-	2,154,328	2,154,328
Transportation	-	-	-	-	867,833	867,833
Assigned for:						
Subsequent year budget	300,000	-	-	-	-	300,000
Risk management	8,498	-	-	-	-	8,498
Capital projects	1,291,264	-	-	270,399	1,993,617	3,555,280
Unassigned	10,598,208	-	-	-	-	10,598,208
Total fund balances	14,613,774	-	7,328,896	1,185,234	6,222,778	29,350,682
Total liabilities, deferred inflows and fund balances	\$ 21,156,031	\$ 2,541,532	\$ 7,398,123	\$ 1,194,709	\$ 7,484,700	\$ 39,775,095

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

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

Total fund balance - governmental funds		\$ 29,350,682
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, not being depreciated	\$ 17,285,788	
Capital assets, net of depreciation/amortization	<u>73,850,246</u>	91,136,034
Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds.		
		298,945
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Deferred charges on refunding	\$ 955,038	
Net pension liabilities	(81,940,555)	
Pension outflows	17,059,431	
Pension inflows	(10,000,359)	
Net OPEB liabilities	(2,791,964)	
OPEB outflows	413,505	
OPEB inflows	(1,074,201)	
Accrued interest	(71,719)	
Compensated absences	(2,618,980)	
Leases	(7,477,234)	
Service bonus	(51,036)	
Unamortized premiums	(1,547,783)	
General obligation bond	<u>(33,310,000)</u>	<u>(122,455,857)</u>
Net position of governmental activities in the statement of net position		<u>\$ (1,670,196)</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Designated - Purpose Grants Fund	Bond Redemption Fund	Capital Reserve Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>						
Local sources	\$ 26,890,740	\$ 47,444	\$ 6,804,657	\$ 30,479	\$ 5,084,525	\$ 38,857,845
State sources	31,880,219	840,220	-	-	525,032	33,245,471
Federal sources	32,223	4,732,541	-	-	508,891	5,273,655
Total revenues	58,803,182	5,620,205	6,804,657	30,479	6,118,448	78,264,965
<b>EXPENDITURES</b>						
Instruction	30,260,036	2,755,731	-	-	2,127,973	35,143,740
Supporting services	24,912,789	2,709,991	-	257,875	3,978,763	31,859,418
Food service operations	-	6,191	-	-	1,971,789	1,971,980
Community services	20,527	-	-	-	-	20,527
Facilities acquisition and construction	237,973	148,292	-	8,250,001	18,391	8,654,657
Debt service	-	-	6,355,498	467,928	-	6,823,426
Total expenditures	55,431,325	5,620,205	6,355,498	8,975,804	8,096,916	84,479,748
Excess (deficiency) of revenues over expenditures	3,371,857	-	449,159	(8,945,325)	(1,978,468)	(6,214,783)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	2,000,000	1,720,912	3,720,912
Transfers out	(3,720,912)	-	-	-	-	(3,720,912)
Total other financing sources (uses)	(3,720,912)	-	-	2,000,000	1,720,912	-
Net change in fund balances	(349,055)	-	449,159	(6,945,325)	(257,556)	(7,102,777)
Fund balances - beginning	14,962,829	-	6,879,737	8,130,559	6,480,334	36,453,459
Fund balances - ending	\$ 14,613,774	\$ -	\$ 7,328,896	\$ 1,185,234	\$ 6,222,778	\$ 29,350,682

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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

Net change in fund balances - total governmental funds:		\$ (7,102,777)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Capital outlays	\$ 9,949,763	
Depreciation/amortization	<u>(3,161,424)</u>	6,788,339
<p>Governmental funds do not present property tax revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p>		
		(110,659)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Repayment of principal	\$ 5,215,000	
Lease principal payments	<u>270,210</u>	5,485,210
<p>Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year.</p>		
		(257,819)
<p>Certain pension and OPEB expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Interest expense	\$ 226,281	
Amortization of debt premiums and deferred amounts on refunding	182,220	
Service bonus payments	39,609	
Changes in pension related items	3,504,832	
Changes in OPEB related items	<u>398,492</u>	<u>4,351,434</u>
Change in net position of governmental activities		<u>\$ 9,153,728</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of El Paso County School District No. 38 - Lewis-Palmer (the District) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

*A. REPORTING ENTITY*

El Paso County School District No. 38 was organized in 1948 from a merger between Lewis School District No. 5 and Palmer Lake School District No. 33. The District provides education services to the residents in the northwest section of El Paso County. It is governed by a five member Board of Education, which is the policy-making body of the District.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is both legally and substantively separate from the government.

*Discretely Presented Component Unit.* The District's Board of Education has authorized one charter school for operation, Monument (MA). The charter school is fiscally dependent on the District since the District provides the majority of support to the school in the form of per pupil revenue. Also, the potential exists that their exclusion from the District's reporting entity would cause the District's statements to be misleading or incomplete.

Separately issued financial statements for the charter school may be obtained by writing to the following:

Monument Academy West Campus  
1150 Village Ridge Point  
Monument, Colorado 80132

Monument Academy East Campus  
4303 Pinehurst Circle  
Colorado Springs, Colorado 80908

*B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Any fiduciary activities are reported only in the fund financial statements. *Governmental activities* are supported by taxes and intergovernmental revenues. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to students or other service users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services provided and used, the elimination of which would distort the direct costs and program revenues reported for the various functions.

The emphasis of fund financial statements is on major funds. Major individual funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Designated Purpose Grants Fund* is used to record financial transactions for grants received for designated programs funded by federal, state or local governments.

The *Bond Redemption Fund* is used to account for property taxes and other revenues restricted for the payment of long-term debt obligations.

The *Capital Reserve Fund* is used to account for all resources available for acquiring capital sites, buildings, and equipment.

Additionally, the District reports the following fund types:

*Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes.

The *Food Service Fund* accounts for transactions related to food service operations. It also accounts for USDA school breakfast/lunch money.

The *Pupil Activity Fund* accounts for financial transactions related to school sponsored pupil intrascholastic and interscholastic athletic and other related activities.

The *Transportation Fund* is used to account for the revenues and expenditures for providing transportation to the students of the District.

The *Building Reserve Fund* accounts for financial resources that are used for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

*C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property taxes, interest, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/  
FUND BALANCE*

*Cash and cash equivalents*

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash account is available to meet current operating requirements. Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

*Investments*

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are reported at net asset value.

*Receivables*

All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Inventories and prepaid items*

Inventories are recorded as expenditures/expenses when consumed rather than when purchased. General warehouse inventory is valued at cost using the first-in/first-out (FIFO) method. Food Service inventory is stated at cost using the weighted average method except for commodities. USDA donated food commodities are valued at estimated acquisition value at the date of receipt.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

*Capital assets*

Capital assets include tangible and intangible assets that are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for lease assets, are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For lease assets, only those intangible lease assets that cost more than \$50,000 are reported as capital assets.

As the District constructs or acquires capital assets each period they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed in Note 1 D. *Leases* below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings & improvements	20-50 years
Site improvements	20 years
Transportation equipment	10 years
Other equipment	3-15 years

*Accrued Salaries and Benefits*

Salaries and benefits of teachers and other contracted personnel are paid over a twelve-month period, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, are reported as a liability in the respective funds and have been fully funded as of the fiscal year end.

*Unearned Revenue*

Unearned revenue includes resources received by the District before the related revenue can be recognized because the earnings process is not complete.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Deferred outflows/inflows of resources*

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

*Leases*

Lessee: The District, when applicable, recognizes a lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Long-term liabilities*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Pensions*

El Paso County School District No. 38 - Lewis-Palmer 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.

*OPEB*

El Paso County School District No. 38 - Lewis-Palmer 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.

*Net position*

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

*Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

*Fund balance classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

*Nonspendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

*Restricted* – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal resolution of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

*E. REVENUES AND EXPENDITURES/EXPENSES*

*Property Taxes*

Property taxes for the current year are certified in arrears to the County by December 15, and attach as an enforceable lien on property the following January 1. Property taxes are payable in full by April 30, or are payable in two equal installments due February 28 and June 15. The County Treasurer bills and collects the District's property tax. District property tax revenues are recognized when levied to the extent they result in current receivables.

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The tax rate for the year ended December 31, 2023 is 30.868 mills for general operating expenses, including a 5.704 mill levy override, and 9.429 mills for the payment of long-term debt. The District's assessed valuation for the collection year 2023 is \$701,201,010, which is the assessed valuation net of tax increment financing.

*Specific Ownership Taxes*

Specific ownership taxes are collected by the county for motor vehicle and other personal property registered in the District's assessment area. The tax receipts collected by the county are remitted to the District in the subsequent month and are considered unrestricted intergovernmental revenues. Specific ownership taxes are recorded as revenue when collected by the county.

*Compensated Absences*

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits, which will be paid to employees upon separation from District service. All vacation and eligible sick pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information*

Budgets are required by State law for all funds, except fiduciary funds. The Superintendent submits a proposed budget to the Board of Education for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. It also includes a statement describing the major objectives of the educational program to be undertaken by the District and the manner in which the budget proposes to fulfill such objectives. Public hearings are conducted by the Board of Education to obtain public comments.

On or before June 30, the budget is adopted by formal resolution. After the adoption of the budget, the board may review and change the budget at any time prior to January 31 of the fiscal year for which the budget was adopted. After January 31, the board may not review or change the budget except where money for a specific purpose from other than ad valorem taxes becomes available which could not have been reasonable foreseen at the time of the adoption of the budget. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between line items within any fund rests with the Superintendent. Revisions that alter the total expenditures in any fund must be approved by the Board of Education. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances as established by the Board of Education.

Budgets for all fund types are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). GAAP-basis accounting requires that expenditures of salaries and related benefits be recorded in the fiscal year earned. Thus, the District budgets for all accrued salaries and related benefits earned but unpaid at June 30. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Superintendent and/or Board of Education throughout the year. All appropriations lapse at the end of each fiscal year.

*Excess of Expenditures over Appropriations*

For the year ended June 30, 2023, expenditures exceeded appropriations in the General and Bond Redemption Funds by \$1,252,717 and \$6,957, respectively. These over-expenditures were funded by greater than anticipated revenues.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

A summary of deposits and investments as of June 30, 2023 is as follows:

Deposits	\$ 10,780,204
Investments	<u>21,513,400</u>
Total	<u>\$ 32,293,604</u>

Deposits and investments are reported in the financial statements as follows:

Cash and investments	\$ 24,316,284
Restricted cash and investments	<u>7,977,320</u>
Total	<u>\$ 32,293,604</u>

*Cash deposits with financial institutions*

Custodial Credit Risk—deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the District’s deposits at June 30, 2023 was \$10,780,204 and the bank balances were \$11,917,252. Of the bank balances, \$1,000,000 were covered by federal deposit insurance, and the remaining balance was uninsured but collateralized in accordance with the provisions of the PDPA.

*Investments*

The District is authorized by Colorado statutes to invest in the following:

- Obligations of the United States and certain U.S. government agencies’ securities;
- Certain international agencies’ securities;
- General obligation and revenue bonds of U.S. local government entities;
- Bankers’ acceptances of certain banks;
- Certain commercial paper;
- Local government investment pools;
- Written repurchase agreements collateralized by certain authorized securities;
- Certain money market fund;
- Guaranteed investment contracts.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

At June 30, 2023 the District’s investment balances were as follows:

<u>Investment Type</u>	<u>Year-end Balance</u>	<u>Measurement</u>	<u>Maturity</u>	<u>Standard &amp; Poor’s Rating</u>
ColoTrust	\$ 12,083,536	Net asset value	Less than 90 days	AAAm
CSIP	2,367,379	Net asset value	Less than 90 days	AAAm
Money markets	<u>7,062,485</u>	Amortized cost	Less than 90 days	AAA
	<u>\$ 21,513,400</u>			

*Local Government Investment Pools.* The Colorado Local Government Liquid Asset Trust (ColoTrust) and Colorado Statewide Investment Program (CSIP), are investment vehicles established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating the pools, which operate in conformity with the Securities and Exchange Commission’s Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended, which includes the maintenance of each share equal in value to \$1.00. Investments are limited to those allowed by state statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodians’ internal records identify the investments owned by the participating governments. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. As a means of managing its exposure to interest rate risk, the District has a board approved investment policy that limits investment maturities to five years or less. Colorado revised statute 24-75-601 also limits investment maturities to five years or less.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and District policy limit investments to those described above.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be caused by the District’s investment in a single issuer. The District places no limit on the amount it may invest in any one issuer. More than 20 percent of the District’s investments are in ColoTrust and Money Markets. These investments are 56.2% and 32.8%, respectively, of the District’s total investments.

In accordance with state law, the District has designated UMB as the third party custodian for the bond redemption fund. Funds held at June 30, 2023 total \$7,062,485 and are included with the ColoTrust investments above.

*Fair value of investments.* The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs reflect prices quoted in active markets.
- Level 2 inputs reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 inputs reflect prices based upon unobservable sources.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

All of the District’s investments that are measured at fair market value are categorized as Level 2 investments. District investments measured at net asset value or amortized cost fall under the existing exemptions to fair value measurement.

**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

*Receivables and Payables*

Interfund receivables and payables are created in conjunction with the District’s pooled cash and investment portfolios. Balances are routinely cleared as a matter of practice.

The composition of interfund balances as of June 30, 2023, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,973,406	\$ 3,125,435
Governmental Designated Purpose Grants Fund	1,553,289	1,020,844
Bond Redemption Fund	161,943	-
Capital Reserve Fund	253,678	-
Nonmajor Funds	<u>1,188,295</u>	<u>984,332</u>
Total	<u>\$ 5,130,611</u>	<u>\$ 5,130,611</u>

*Interfund transfers*

The composition of interfund transfers for the year ended June 30, 2023, is as follows:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
General Fund	\$ -	\$ 3,720,912
Capital Reserve Fund	2,000,000	-
Nonmajor Funds	<u>1,720,912</u>	<u>-</u>
Total	<u>\$ 3,720,912</u>	<u>\$ 3,720,912</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move capital assets from one fund to another fund when the fund using the capital assets changes.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Land	\$ 9,229,830	\$ -	\$ -	\$ 9,229,830
Construction in progress	5,017,567	6,469,422	(3,512,568)	7,974,421
Site improvements	<u>81,537</u>	<u>-</u>	<u>-</u>	<u>81,537</u>
Total capital assets not being depreciated	<u>14,328,934</u>	<u>6,469,422</u>	<u>(3,512,568)</u>	<u>17,285,788</u>
Capital assets being depreciated:				
Buildings and improvements	127,828,812	5,017,291	-	132,846,103
Site improvements	4,784,859	1,234,694	-	6,019,553
Transportation equipment	5,528,498	113,533	-	5,662,031
Other equipment	<u>3,549,998</u>	<u>607,391</u>	<u>-</u>	<u>4,157,389</u>
Total capital assets being depreciated	<u>141,692,167</u>	<u>6,992,909</u>	<u>-</u>	<u>148,685,076</u>
Less accumulated depreciation for:				
Buildings and improvements	(62,457,433)	(2,522,084)	-	(64,979,517)
Site improvements	(2,311,384)	(199,023)	-	(2,510,407)
Transportation equipment	(4,379,032)	(240,640)	-	(4,619,672)
Other equipment	<u>(2,525,557)</u>	<u>(199,677)</u>	<u>-</u>	<u>(2,725,234)</u>
Total accumulated depreciation	<u>(71,673,406)</u>	<u>(3,161,424)</u>	<u>-</u>	<u>(74,834,830)</u>
Total capital assets being depreciated, net	<u>70,018,761</u>	<u>3,831,485</u>	<u>-</u>	<u>73,850,246</u>
Total governmental activities capital assets	<u>\$ 84,347,695</u>	<u>\$ 10,300,907</u>	<u>\$ (3,512,568)</u>	<u>\$ 91,136,034</u>

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

*Governmental Activities*

Instruction	\$ 2,613,173
Supporting services	<u>548,251</u>
Total depreciation/amortization expense	<u>\$ 3,161,424</u>

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 6 – LONG-TERM LIABILITIES**

*General Obligation Bonds*

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

General Obligation bonds outstanding at June 30, 2023 are as follows:

	<u>Original Borrowing</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding at Year-end</u>
<i>Governmental Activities</i>				
G.O. Refunding bonds 2001	\$ 17,950,000	3.00% - 6.00%	2025	\$ 3,555,000
G.O. Refunding bonds 2012A	29,035,000	2.00% - 5.00%	2026	10,860,000
G.O. Refunding bonds 2012B	18,440,000	2.00% - 5.00%	2023	-
G.O. Refunding bonds 2020	19,415,000	2.00% - 5.00%	2030	<u>18,895,000</u>
Total				<u>\$ 33,310,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 5,490,000	\$ 860,620
2025	5,765,000	575,699
2026	4,120,000	333,034
2027	4,405,000	214,341
2028	4,455,000	164,877
2029 –2030	<u>9,075,000</u>	<u>140,553</u>
Total	<u>\$ 33,310,000</u>	<u>\$ 2,289,124</u>

*Legal Debt Margin*

Assessed valuation	<u>\$ 701,201,010</u>
Debt limit – 20% of assessed valuation	140,240,202
General obligation debt	<u>(33,310,000)</u>
	<u>\$ 106,930,202</u>

*Leases Payable*

On April 28, 2020, the District entered into a financed purchase in the amount of \$537,593 for school buses. Principal payments are due annually on August 25, through 2024. With interest payments accruing at a rate of 2.7%

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)**

On June 2024, 2021, the District entered into a financed purchase in the amount of \$7,422,212 for energy efficient improvements within the District. Principal payments are due annually on July 1, through 2042. With interest accruing at a rate of 2.497%

Annual principal and interest payments to maturity for financed purchases are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 292,775	\$ 187,153
2025	312,305	179,623
2026	218,013	171,598
2027	237,457	166,154
2028	256,386	160,225
2029 – 2033	1,603,287	694,766
2034 –2039	2,241,900	464,152
2040 –2041	<u>2,315,111</u>	<u>148,366</u>
Total	<u>\$ 7,477,234</u>	<u>\$ 2,172,037</u>

*Changes in Long-Term Liabilities*

Changes in the District’s long-term liabilities for the year ended June 30, 2023, are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amount</u> <u>Due Within</u> <u>One year</u>
<i>Governmental Activities</i>					
General obligation bonds	\$ 38,525,000	\$ -	\$ (5,215,000)	\$ 33,310,000	\$ 5,490,000
Premiums	<u>2,007,491</u>	<u>-</u>	<u>(459,708)</u>	<u>1,547,783</u>	<u>-</u>
Total bonds payable	<u>40,532,491</u>	<u>-</u>	<u>(5,674,708)</u>	<u>34,857,783</u>	<u>5,490,000</u>
Leases payable	7,747,444	-	(270,210)	7,477,234	292,775
Service bonus	90,645	-	(39,609)	51,036	25,518
Compensated absences	2,361,161	651,363	(393,544)	2,618,980	435,085
Net pension liability	62,640,868	35,028,503	(15,728,816)	81,940,555	-
Net OPEB liability	<u>3,030,585</u>	<u>433,841</u>	<u>(672,462)</u>	<u>2,791,964</u>	<u>-</u>
<i>Total Governmental Activities</i>	<u>\$ 116,403,194</u>	<u>\$ 36,113,707</u>	<u>\$ (22,779,349)</u>	<u>\$ 129,737,552</u>	<u>\$ 6,243,378</u>

General obligation bonds are liquidated in the debt service fund. Leases are liquidated in the Capital Reserve Fund. Approximately 90% of compensated absences, net pension liabilities, and net OPEB liabilities are normally liquidated in the general fund, with remaining amounts liquidated in other governmental funds.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

*General Information about the Pension Plan*

*Plan description.* Eligible employees of the El Paso County School District No. 38 - Lewis-Palmer 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](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2022.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5% and then multiplied by 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.

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

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, 2023:* Eligible employees of, El Paso County School District No. 38 - Lewis-Palmer and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023. Employer contribution requirements are summarized in the table below:

	July 1, 2022 Through June 30, 2023
Employer contribution rate	11.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	10.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	20.38%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 38 - Lewis-Palmer is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from El Paso County School District No. 38 - Lewis-Palmer were \$7,452,423 for the year ended June 30, 2023.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to PERA in the amount of \$380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA’s negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires an additional direct distribution of approximately \$14.5 million (actual dollars), for a total of approximately \$49.5 million (actual dollars) to be contributed July 1, 2023.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

*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, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022. The El Paso County School District No. 38 - Lewis-Palmer proportion of the net pension liability was based on El Paso County School District No. 38 - Lewis-Palmer contributions to the SCHDTF for the calendar year 2022 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2023, the El Paso County School District No. 38 - Lewis-Palmer reported a liability of \$81,940,555 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the El Paso County School District No. 38 - Lewis-Palmer 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 El Paso County School District No. 38 - Lewis-Palmer were as follows:

El Paso County School District No. 38 - Lewis-Palmer proportionate share of the net pension liability	\$ 81,940,555
The State’s proportionate share of the net pension liability as a nonemployer contributing entity associated with the El Paso County School District No. 38 - Lewis-Palmer	23,878,301
Total	\$ 105,818,856

At December 31, 2022, the El Paso County School District No. 38 - Lewis-Palmer proportion was 0.4499888113%, which was a decrease of 0.0882847806% from its proportion measured as of December 31, 2021.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
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**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

For the year ended June 30, 2023, the El Paso County School District No. 38 - Lewis-Palmer recognized pension expense of \$(3,504,832) and revenue of \$2,807,943 for support from the State as a nonemployer contributing entity. At June 30, 2023, the El Paso County School District No. 38 - Lewis-Palmer 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	\$ 775,479	\$ -
Changes of assumptions or other inputs	1,451,434	-
Net difference between projected and actual earnings on pension plan investments	11,007,635	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	10,000,359
Contributions subsequent to the measurement date	3,824,883	N/A
Total	<u>\$ 17,059,431</u>	<u>\$ 10,000,359</u>

\$3,824,883 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ (3,743,692)
2025	(2,106,083)
2026	2,681,313
2027	6,402,651
2028	-
Thereafter	-

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
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**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

*Actuarial assumptions.* The TPL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

<sup>1</sup> 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 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.

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, 2021, 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.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
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**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. 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:

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

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**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

- 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 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

*Sensitivity of the El Paso County School District No. 38 - Lewis-Palmer 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	\$ 107,232,005	\$ 81,940,555	\$ 60,819,610

*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](http://www.copera.org/investments/pera-financial-reports).

**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

*General Information about the OPEB Plan*

*Plan description.* Eligible employees of the El Paso County School District No. 38 - Lewis-Palmer 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](http://www.copera.org/investments/pera-financial-reports).

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

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

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

*PERA Benefit Structure*

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

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

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 El Paso County School District No. 38 - Lewis-Palmer is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from El Paso County School District No. 38 - Lewis-Palmer were \$373,032 for the year ended June 30, 2023.

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

At June 30, 2023, the El Paso County School District No. 38 - Lewis-Palmer reported a liability of \$2,791,964 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The El Paso County School District No. 38 - Lewis-Palmer proportion of the net OPEB liability was based on El Paso County School District No. 38 - Lewis-Palmer contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
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**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

At December 31, 2022, the El Paso County School District No. 38 - Lewis-Palmer proportion was 0.3419517111%, which was a decrease of 0.0094999201% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the El Paso County School District No. 38 - Lewis-Palmer recognized OPEB expense of \$(398,492). At June 30, 2023, the El Paso County School District No. 38 - Lewis-Palmer 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	\$ 362	\$ 675,190
Changes of assumptions or other inputs	44,874	308,146
Net difference between projected and actual earnings on OPEB plan investments	170,528	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	6,302	90,865
Contributions subsequent to the measurement date	191,439	N/A
<b>Total</b>	<b>\$ 413,505</b>	<b>\$ 1,074,201</b>

\$191,439 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	\$ (293,391)
2025	(276,417)
2026	(136,536)
2027	(35,529)
2028	(89,647)
Thereafter	(20,615)

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

*Actuarial assumptions.* The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.00%
Long-term investment rate of return, net of 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	6.50% in 2022, gradually decreasing to 4.50% in 2030
Medicare Part A premiums	3.75% in 2022, 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

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
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Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and older	0.0%	0.0%

Sample Age	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$1,704	\$1,450	\$583	\$496	\$1,923	\$1,634
70	\$1,976	\$1,561	\$676	\$534	\$2,229	\$1,761
75	\$2,128	\$1,681	\$728	\$575	\$2,401	\$1,896

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$6,514	\$5,542	\$4,227	\$3,596	\$6,752	\$5,739
70	\$7,553	\$5,966	\$4,901	\$3,872	\$7,826	\$6,185
75	\$8,134	\$6,425	\$5,278	\$4,169	\$8,433	\$6,657

The 2022 Medicare Part A premium is \$499 (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.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

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, 2021, 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 that were used to measure the TOL are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the 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 School 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.

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.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

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 HCTF:

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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.

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 13, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, 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 at least every five years for PERA. 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.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

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

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

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

*Sensitivity of the El Paso County School District No. 38 - Lewis-Palmer 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:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate <sup>1</sup>	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 2,712,939	\$ 2,791,964	\$ 2,877,951

<sup>1</sup>For the January 1, 2023, plan year.

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2022, 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.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

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

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

*Sensitivity of the El Paso County School District No. 38 - Lewis-Palmer 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 3,236,713	\$ 2,791,964	\$ 2,411,560

*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](http://www.copera.org/investments/pera-financial-reports).

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

*Grants*

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the District, any such adjustments will not have a material adverse effect on the financial position of the District.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 10 - TAX, SPENDING, AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments, including school districts.

The amendment requires emergency reserves to be established. These reserves must be at least 3% of fiscal year spending. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2023 there is a \$2,160,000 reservation of fund balance in the General Fund for the amendment.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

The amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

**NOTE 11 – COLORADO SCHOOL DISTRICT/BOCES, ELECTRONIC DATA INTEGRITY CHECK FIGURES**

The School Finance Act requires inclusion of the Colorado School District/BOCES, Electronic Financial Data Integrity Check Figures as a supplement schedule to the audited financial statements. The Report is based on a prescribed basis of accounting that demonstrates compliance with the financial policies and procedures of the Colorado Department of Education.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2023**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.4499888113%	0.5382735919%	0.5968461766%	0.5462292432%	0.5470445679%	0.6133837715%	0.6067133842%	0.6114576017%	0.6216267633%	0.6177944233%
District's proportionate share of the net pension liability (asset)	\$ 81,940,555	\$ 62,640,868	\$ 90,231,104	\$ 81,605,464	\$ 96,865,477	\$ 198,346,512	\$ 180,642,036	\$ 93,518,123	\$ 84,251,307	\$ 78,799,512
State's proportionate share of the net pension liability (asset) associated with the School	23,878,301	7,180,975	-	10,350,615	13,245,009	-	-	-	-	-
Total	<u>\$ 105,818,856</u>	<u>\$ 69,821,843</u>	<u>\$ 90,231,104</u>	<u>\$ 91,956,079</u>	<u>\$ 110,110,486</u>	<u>\$ 198,346,512</u>	<u>\$ 180,642,036</u>	<u>\$ 93,518,123</u>	<u>\$ 84,251,307</u>	<u>\$ 78,799,512</u>
District's covered payroll	\$ 34,711,441	\$ 33,625,447	\$ 31,925,305	\$ 32,096,829	\$ 30,096,052	\$ 27,835,885	\$ 26,796,166	\$ 26,648,010	\$ 26,041,696	\$ 24,903,866
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	236.06%	186.29%	282.63%	254.25%	321.85%	712.56%	674.13%	350.94%	323.52%	316.41%
Plan fiduciary net position as a percentage of the total pension liability	61.8%	74.9%	67.0%	64.5%	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

\* The amounts presented for each year were determined as of 12/31.

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
 SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION  
 JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 7,452,423	\$ 6,967,913	\$ 6,218,419	\$ 6,274,999	\$ 5,984,430	\$ 5,484,505	\$ 4,907,130	\$ 4,766,577	\$ 4,456,194	\$ 4,081,474
Contributions in relation to the contractually required contribution	(7,452,423)	(6,967,913)	(6,218,419)	(6,274,999)	(5,984,430)	(5,484,505)	(4,907,130)	(4,766,577)	(4,456,194)	(4,081,474)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 36,567,337	\$ 35,049,864	\$ 31,279,774	\$ 32,378,736	\$ 31,282,959	\$ 29,049,285	\$ 26,698,205	\$ 26,884,247	\$ 26,399,254	\$ 25,541,139
Contributions as a percentage of covered payroll	20.38%	19.88%	19.88%	19.38%	19.13%	18.88%	18.38%	17.73%	16.88%	15.98%

\* The amounts presented for each fiscal year were determined as of 6/30.

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
JUNE 30, 2023**

	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net OPEB liability (asset)	0.3419517111%	0.3514516312%	0.3452147403%	0.3569652885%	0.3555777545%	0.3485222626%	0.3448630896%
District's proportionate share of the net OPEB liability (asset)	\$ 2,791,964	\$ 3,030,585	\$ 3,280,317	\$ 4,012,283	\$ 4,837,785	\$ 4,529,395	\$ 4,471,267
District's covered payroll	\$ 34,711,441	\$ 33,625,447	\$ 31,925,305	\$ 32,096,829	\$ 30,096,052	\$ 27,835,885	\$ 26,796,166
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	8.04%	9.01%	10.27%	12.50%	16.07%	16.27%	16.69%
Plan fiduciary net position as a percentage of the total OPEB liability	38.6%	39.4%	32.8%	24.5%	17.0%	17.5%	16.7%

\* The amounts presented for each year were determined as of 12/31.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB**  
**JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 373,032	\$ 357,508	\$ 319,054	\$ 330,263	\$ 319,086	\$ 296,275	\$ 272,303
Contributions in relation to the contractually required contribution	(373,032)	(357,508)	(319,054)	(330,263)	(319,086)	(296,275)	(272,303)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 36,567,337	\$ 35,049,829	\$ 31,279,760	\$ 32,378,718	\$ 31,282,952	\$ 29,046,528	\$ 26,696,334
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

\* The amounts presented for each fiscal year were determined as of 6/30.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

## **GENERAL FUND**

This fund is used to account for and report all financial resources not accounted for and reported in another fund. Any lawful expenditure of the School District, including any expenditure of a nature that could be made from any other fund, may be made from the General Fund.

The General Fund is always considered to be a major fund for financial reporting purposes.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Local sources	\$ 25,621,423	\$ 24,506,515	\$ 26,890,740	\$ 2,384,225
State sources	30,289,802	31,311,042	31,880,219	569,177
Federal sources	-	-	32,223	32,223
Total revenues	<u>55,911,225</u>	<u>55,817,557</u>	<u>58,803,182</u>	<u>2,985,625</u>
<b>EXPENDITURES</b>				
Instruction	29,087,083	29,531,077	30,260,036	(728,959)
Supporting services:				
Student services	3,190,342	3,379,829	3,482,909	(103,080)
Instructional staff	3,138,783	3,217,065	3,151,768	65,297
General administration	1,190,300	2,594,266	2,252,835	341,431
School administration	3,673,474	3,781,074	3,898,350	(117,276)
Business services	768,002	1,007,919	1,161,068	(153,149)
Operation and maintenance	7,545,440	8,027,138	7,668,048	359,090
Student transportation	48,712	119,207	71,741	47,466
Central services	3,334,208	2,850,176	3,226,070	(375,894)
Other support services	-	19,780	-	19,780
Community services	-	-	20,527	(20,527)
Facilities acquisition and construction	-	(348,923)	237,973	(586,896)
Total expenditures	<u>51,976,344</u>	<u>54,178,608</u>	<u>55,431,325</u>	<u>(1,252,717)</u>
Excess (deficiency) of revenues over expenditures	<u>3,934,881</u>	<u>1,638,949</u>	<u>3,371,857</u>	<u>1,732,908</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(3,800,000)	(3,800,000)	(3,720,912)	79,088
Total other financing sources (uses)	<u>(3,800,000)</u>	<u>(3,800,000)</u>	<u>(3,720,912)</u>	<u>79,088</u>
Net change in fund balance	134,881	(2,161,051)	(349,055)	1,811,996
Fund balance - beginning	14,018,806	14,962,829	14,962,829	-
Fund balance - ending	<u>\$ 14,153,687</u>	<u>\$ 12,801,778</u>	<u>\$ 14,613,774</u>	<u>\$ 1,811,996</u>

See the accompanying independent auditors' report.

## **GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND**

Used to record financial transactions for grants received for designated programs funded by the federal government.

For financial reporting purposes, the Designated Purpose Grants Fund was determined to be a major fund of the District for the current fiscal year.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final Budget</u>		
<b>REVENUES</b>				
Local sources:	\$ 135,000	\$ 78,151	\$ 47,444	\$ (30,707)
State sources	(832,000)	81,721	840,220	758,499
Federal sources	4,481,339	5,812,233	4,732,541	(1,079,692)
Total revenues	<u>3,784,339</u>	<u>5,972,105</u>	<u>5,620,205</u>	<u>(351,900)</u>
<b>EXPENDITURES</b>				
Instruction	2,394,154	2,471,552	2,755,731	(284,179)
Supporting services:				
Student services	434,262	932,701	924,927	7,774
Instructional staff	833,198	1,316,610	951,029	365,581
General administration	67,000	71,566	72,028	(462)
School administration	-	500	484	16
Business services	45,725	530,544	747,539	(216,995)
Operation and maintenance	-	181,026	-	181,026
Student transportation	-	291,442	13,984	277,458
Central services	10,000	-	-	-
Other support services	-	22,872	-	22,872
Food service operations	-	-	6,191	(6,191)
Facilities acquisition and construction	-	153,292	148,292	5,000
Total expenditures	<u>3,784,339</u>	<u>5,972,105</u>	<u>5,620,205</u>	<u>351,900</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

## **BOND REDEMPTION FUND**

This fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs. This fund's primary revenue sources are local property taxes levied specifically for debt service.

The Bond Redemption Fund is deemed to be a major fund for financial reporting purposes.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
BOND REDEMPTION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Local sources:			
Property taxes	\$ 6,558,614	\$ 6,639,908	\$ 81,294
Other local sources	2,000	164,749	162,749
Total revenues	<u>6,560,614</u>	<u>6,804,657</u>	<u>244,043</u>
<b>EXPENDITURES</b>			
Debt service	<u>6,348,541</u>	<u>6,355,498</u>	<u>(6,957)</u>
Total expenditures	<u>6,348,541</u>	<u>6,355,498</u>	<u>(6,957)</u>
Excess (deficiency) of revenues over expenditures	212,073	449,159	237,086
Fund balance - beginning	<u>6,879,737</u>	<u>6,879,737</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 7,091,810</u></u>	<u><u>\$ 7,328,896</u></u>	<u><u>\$ 237,086</u></u>

See the accompanying independent auditors' report.

## **CAPITAL RESERVE FUND**

This fund is used to accumulate resources, for the acquisition, renovation and maintenance of capital assets.

The Capital Reserve Fund is deemed to be a major fund for financial reporting purposes.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
CAPITAL RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Local sources:	\$ 1,000	\$ 30,479	\$ 29,479
Total revenues	<u>1,000</u>	<u>30,479</u>	<u>29,479</u>
<b>EXPENDITURES</b>			
Supporting services:			
Operation and maintenance	276,938	257,875	19,063
Student transportation	114,317	-	114,317
Facilities acquisition and construction	9,132,417	8,250,001	882,416
Debt service	476,328	467,928	8,400
Total expenditures	<u>10,000,000</u>	<u>8,975,804</u>	<u>1,024,196</u>
Excess (deficiency) of revenues over expenditures	<u>(9,999,000)</u>	<u>(8,945,325)</u>	<u>1,053,675</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,000,000	2,000,000	-
Total other financing sources (uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Net change in fund balance	(7,999,000)	(6,945,325)	1,053,675
Fund balance - beginning	8,130,559	8,130,559	-
Fund balance - ending	<u>\$ 131,559</u>	<u>\$ 1,185,234</u>	<u>\$ 1,053,675</u>

See the accompanying independent auditors' report.

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are restricted or committed to expenditures for specified purposes. These funds may be required by statute or ordinance and others may be established through resolutions by the Board of Education. The District has the following Special Revenue Funds:

#### **Food Service Fund**

This fund accounts for transactions related to food service operations. It also accounts for USDA school breakfast/lunch money.

#### **Pupil Activity Fund**

This fund accounts for financial transactions related to school sponsored pupil intrascholastic and interscholastic athletic and other related activities.

#### **Transportation Fund**

This fund accounts for the revenues and expenditures for providing transportation to the students of the District.

### **Building Reserve Fund**

The Building Reserve Fund accounts for financial resources that are used for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2023**

	<b>Food Service Fund</b>	<b>Pupil Activity Fund</b>	<b>Transportation Fund</b>	<b>Building Reserve Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>					
Cash and investments	\$ 2,199,263	\$ 2,084,458	\$ 200	\$ 1,909,088	\$ 6,193,009
Grants receivable	-	-	20,089	-	20,089
Other receivables	-	32,292	10	-	32,302
Due from other funds	-	101,461	949,799	137,035	1,188,295
Inventories and prepaid expenses	51,005	-	-	-	51,005
Total assets	<u>\$ 2,250,268</u>	<u>\$ 2,218,211</u>	<u>\$ 970,098</u>	<u>\$ 2,046,123</u>	<u>\$ 7,484,700</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	\$ 5,743	\$ 41,024	\$ 18,926	\$ -	\$ 65,693
Accrued salaries and benefits	19,456	22,859	83,339	-	125,654
Due to other funds	931,826	-	-	52,506	984,332
Unearned revenue	86,243	-	-	-	86,243
Total liabilities	<u>1,043,268</u>	<u>63,883</u>	<u>102,265</u>	<u>52,506</u>	<u>1,261,922</u>
<b>FUND BALANCES</b>					
Nonspendable for:					
Inventories and prepaid expenses	51,005	-	-	-	51,005
Restricted for:					
Food service operations	1,155,995	-	-	-	1,155,995
Committed for:					
Pupil activities	-	2,154,328	-	-	2,154,328
Transportation	-	-	867,833	-	867,833
Assigned for:					
Capital projects	-	-	-	1,993,617	1,993,617
Total fund balances	<u>1,207,000</u>	<u>2,154,328</u>	<u>867,833</u>	<u>1,993,617</u>	<u>6,222,778</u>
Total liabilities and fund balances	<u>\$ 2,250,268</u>	<u>\$ 2,218,211</u>	<u>\$ 970,098</u>	<u>\$ 2,046,123</u>	<u>\$ 7,484,700</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Food Service Fund</b>	<b>Pupil Activity Fund</b>	<b>Transportation Fund</b>	<b>Building Reserve Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>					
Local sources	\$ 1,420,031	\$ 3,066,997	\$ 376,196	\$ 221,301	\$ 5,084,525
State sources	13,234	-	511,798	-	525,032
Federal sources	508,891	-	-	-	508,891
<b>Total revenues</b>	<b>1,942,156</b>	<b>3,066,997</b>	<b>887,994</b>	<b>221,301</b>	<b>6,118,448</b>
<b>EXPENDITURES</b>					
Instruction	-	2,127,973	-	-	2,127,973
Supporting services	-	1,363,316	2,615,447	-	3,978,763
Food service operations	1,971,789	-	-	-	1,971,789
Facilities acquisition and construction	-	-	-	18,391	18,391
<b>Total expenditures</b>	<b>1,971,789</b>	<b>3,491,289</b>	<b>2,615,447</b>	<b>18,391</b>	<b>8,096,916</b>
Excess (deficiency) of revenues over expenditures	(29,633)	(424,292)	(1,727,453)	202,910	(1,978,468)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	1,720,912	-	1,720,912
<b>Net change in fund balances</b>	<b>(29,633)</b>	<b>(424,292)</b>	<b>(6,541)</b>	<b>202,910</b>	<b>(257,556)</b>
Fund balances - beginning	1,236,633	2,578,620	874,374	1,790,707	6,480,334
Fund balances - ending	<u>\$ 1,207,000</u>	<u>\$ 2,154,328</u>	<u>\$ 867,833</u>	<u>\$ 1,993,617</u>	<u>\$ 6,222,778</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER**  
**FOOD SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Local sources	\$ 1,613,912	\$ 1,420,031	\$ (193,881)
State sources	12,464	13,234	770
Federal sources	352,524	508,891	156,367
	<u>1,978,900</u>	<u>1,942,156</u>	<u>(36,744)</u>
<b>EXPENDITURES</b>			
Food service operations	2,340,417	1,971,789	368,628
Total expenditures	2,340,417	1,971,789	368,628
Excess (deficiency) of revenues over expenditures	<u>(361,517)</u>	<u>(29,633)</u>	<u>331,884</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	91,112	-	(91,112)
Total other financing sources (uses)	91,112	-	(91,112)
Net change in fund balance	(270,405)	(29,633)	240,772
Fund balance - beginning	1,236,633	1,236,633	-
Fund balance - ending	<u>\$ 966,228</u>	<u>\$ 1,207,000</u>	<u>\$ 240,772</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
PUPIL ACTIVITY FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Local sources:	\$ 3,659,555	\$ 3,066,997	\$ (592,558)
<b>EXPENDITURES</b>			
Instruction	2,654,188	2,127,973	526,215
Supporting services:			
Student services	-	1,346,396	(1,346,396)
Instructional staff	-	38,779	(38,779)
Business services	3,575,975	(21,859)	3,597,834
Total expenditures	<u>6,230,163</u>	<u>3,491,289</u>	<u>2,738,874</u>
Net change in fund balance	(2,570,608)	(424,292)	2,146,316
Fund balance - beginning	<u>2,578,620</u>	<u>2,578,620</u>	-
Fund balance - ending	<u>\$ 8,012</u>	<u>\$ 2,154,328</u>	<u>\$ 2,146,316</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
TRANSPORTATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Local sources	\$ 218,500	\$ 376,196	\$ 157,696
State sources	554,742	511,798	(42,944)
Total revenues	<u>773,242</u>	<u>887,994</u>	<u>114,752</u>
<b>EXPENDITURES</b>			
Supporting services:			
Operation and maintenance	81,601	63,053	18,548
Student transportation	<u>2,614,524</u>	<u>2,552,394</u>	<u>62,130</u>
Total expenditures	<u>2,696,125</u>	<u>2,615,447</u>	<u>80,678</u>
Excess (deficiency) of revenues over expenditures	(1,922,883)	(1,727,453)	195,430
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>1,800,000</u>	<u>1,720,912</u>	<u>(79,088)</u>
Net change in fund balance	(122,883)	(6,541)	116,342
Fund balance - beginning	<u>874,374</u>	<u>874,374</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 751,491</u></u>	<u><u>\$ 867,833</u></u>	<u><u>\$ 116,342</u></u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
BUILDING RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Local sources	\$ 151,000	\$ 221,301	\$ 70,301
<b>EXPENDITURES</b>			
Facilities acquisition and construction	1,941,707	18,391	1,923,316
Total expenditures	1,941,707	18,391	1,923,316
Net change in fund balance	(1,790,707)	202,910	101,418
Fund balance - beginning	1,790,707	1,790,707	-
Fund balance - ending	\$ -	\$ 1,993,617	\$ 101,418

See the accompanying independent auditors' report.

## **COMPLIANCE SECTION**

# **SINGLE AUDIT**

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Additional Award Identification</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>					
<i>Child Nutrition Cluster</i>					
Passed Through Colorado Department of Education					
School Breakfast Program	10.553		4553,5553	\$ -	\$ 29,143
National School Lunch Program	10.555		4555,5555,6555		413,053
Special Milk Program for Children	10.556		4556		8,144
Passed Through Colorado Department of Human Services					
National School Lunch Program	10.555		4555		57,923
<i>Total Child Nutrition Cluster</i>					<u>508,263</u>
<i>SNAP Cluster</i>					
Passed Through Colorado Department of Education					
State Administrative Matching Grants for the					
Supplemental Nutrition Assistance Program	10.649	COVID-19	4649		628
<i>Total SNAP Cluster</i>					<u>628</u>
Total U.S. Department of Agriculture				-	<u>508,891</u>
<b>U.S. Department of Transportation</b>					
Passed Through Colorado Department of Education					
Highway Planning and Construction	20.205		7205		4,990
Total U.S. Department of Transportation				-	<u>4,990</u>
<b>National Endowment for the Humanities</b>					
Passed Through Colorado Department of Education					
Grants to States	45.310		7310		200
Total National Endowment for the Humanities				-	<u>200</u>
<b>U.S. Department of Education</b>					
Direct Programs					
Impact Aid	84.041				32,223
					<u>32,223</u>
Passed Through Colorado Department of Education					
<i>Special Education Cluster</i>					
Special Education: Grants to States IDEA Part B	84.027		4027,6027		1,271,628
Special Education: Preschool Grants	84.173		4173,6173		31,671
<i>Total Special Education Cluster</i>					<u>1,303,299</u>
Title I Grants to Local Educational Agencies	84.010		4010		186,386
Charter Schools	84.282		5282		159,721
Special Education - State Personnel Development	84.323		5323		23,408
English Language Acquisition Grants	84.365		4365,7365		28,021
Improving Teacher Quality State Grants	84.367		4367		139,378
Comprehensive Literacy Library	84.371		5371		392,096
Student Support and Academic Enrichment Program	84.424A		4424		20,967
Education Stabilization Fund					
ESSER III	84.425U	COVID-19	4414,4418,9414		1,286,105
ESSER II	84.425D	COVID-19	4420,4437		655,999
Passed through Colorado Community College System					
Vocational Education - Carl Perkins	84.048		4048		30,301
Total U.S. Department of Education				-	<u>4,257,904</u>
<b>U.S. Department of Health and Human Services</b>					
Passed Through Colorado Department of Education					
Cooperative Agreement for Emergency Response:					
Public Health Crisis	93.354		7354		98,108
<i>CCDF Cluster</i>					
Child Care and Development Block Grant	93.575		7575		62,009
Total U.S. Department of Health and Human Services				-	<u>160,117</u>
<b>Total Federal Awards</b>				<u>\$ -</u>	<u>\$ 4,932,102</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of El Paso County School District No. 38 - Lewis-Palmer under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of El Paso County School District No. 38 - Lewis-Palmer, it is not intended to and does not present the financial position, changes in net position, or cash flows of El Paso County School District No. 38 - Lewis-Palmer.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified-accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – INDIRECT COST RATE**

El Paso County School District No. 38 - Lewis-Palmer has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4 – NON-CASH ASSISTANCE**

During the year end June 30, 2023, El Paso County School District No. 38 - Lewis-Palmer received \$57,923 in non-cash assistance in the form of food commodities. Valuation of commodities is based on fair market value at the time of receipt.



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

To the Board of Education  
El Paso County School District No. 38 - Lewis-Palmer

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of El Paso County School District No. 38 - Lewis-Palmer, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise El Paso County School District No. 38 - Lewis-Palmer's basic financial statements, and have issued our report thereon dated January 17, 2024. The financial statements of the discretely presented component unit was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with that component unit.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered El Paso County School District No. 38 - Lewis-Palmer's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Paso County School District No. 38 - Lewis-Palmer's internal control. Accordingly, we do not express an opinion on the effectiveness of El Paso County School District No. 38 - Lewis-Palmer's internal control.

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether El Paso County School District No. 38 - Lewis-Palmer's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

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

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
January 17, 2024



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

To the Board of Education  
El Paso County School District No. 38 - Lewis-Palmer

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited El Paso County School District No. 38 - Lewis-Palmer's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of El Paso County School District No. 38 - Lewis-Palmer's major federal programs for the year ended June 30, 2023. El Paso County School District No. 38 - Lewis-Palmer's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, El Paso County School District No. 38 - Lewis-Palmer complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of El Paso County School District No. 38 - Lewis-Palmer and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of El Paso County School District No. 38 - Lewis-Palmer's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to El Paso County School District No. 38 - Lewis-Palmer's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on El Paso County School District No. 38 - Lewis-Palmer's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about El Paso County School District No. 38 - Lewis-Palmer's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding El Paso County School District No. 38 - Lewis-Palmer's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of El Paso County School District No. 38 - Lewis-Palmer's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of El Paso County School District No. 38 - Lewis-Palmer's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

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

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

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

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

*Hoelting & Company, Inc.*

Colorado Springs, Colorado  
January 17, 2024

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

Section I—Summary of Auditors’ Results

*Financial Statements*

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes x no
- Significant deficiency(ies) identified? \_\_\_ yes x none reported

Noncompliance material to financial statements noted? \_\_\_ yes x no

*Federal Awards*

Internal control over major programs?

- Material weakness(es) identified? \_\_\_ yes x no
- Significant deficiency(ies) identified? \_\_\_ yes x none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
ALN 84.027 & 84.173	Special Education Cluster (IDEA)
ALN 84.425 U&D	Education Stabilization Fund

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

Auditee qualified as low-risk auditee? \_\_\_ yes x no

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

Section II—Financial Statement Findings

No findings reported.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.

**EL PASO COUNTY SCHOOL DISTRICT NO. 38 - LEWIS-PALMER  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the El Paso County School District No. 38 - Lewis-Palmer Schedule of Findings and Questioned Costs for the year ended June 30, 2022. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2023 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

<u>Finding Number</u>	<u>ALN Number</u>	<u>Program/ Cluster Title</u>	<u>Finding</u>	<u>Status of Finding</u>
2022-001	NA	NA	Reconciliation of Grant Revenue and Expenditures and SEFA Reconciliation	Corrected
2022-002	NA	NA	Property Taxes and Specific Ownership Taxes	Corrected
2022-003	NA	NA	Segregation of Duties and Appropriate Support for Adjusting Journal Entries	Corrected

## **STATE COMPLIANCE**



**INDEPENDENT AUDITORS' REPORT ON COLORADO SCHOOL  
DISTRICT/BOCES AUDITOR'S INTEGRITY REPORT**

To the Board of Education  
El Paso County School District No. 38 - Lewis-Palmer

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 38 - Lewis-Palmer, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the El Paso County School District No. 38 - Lewis-Palmer's basic financial statements as listed in the table of contents. Our report thereon, dated January 17, 2024, expressed an unmodified opinion on those financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 38 - Lewis-Palmer's basic financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Colorado School District/BOCES, Auditor's Integrity Report* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Colorado Springs, Colorado  
January 17, 2024



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 1080 - Lewis-Palmer 38  
 Fiscal Year 2022-23  
 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
<b>Governmental</b>							
10 General Fund	14,326,332		54,454,537		54,175,594		14,605,276
18 Risk Mgmt Sub-Fund of General Fund	605,244		298,151		894,897		8,498
19 Colorado Preschool Program Fund	31,252		329,582		360,834		0
<b>Sub-Total</b>	<b>14,962,828</b>		<b>55,082,270</b>		<b>55,431,325</b>		<b>14,613,774</b>
11 Charter School Fund	2,382,778		13,493,438		13,083,361		2,792,855
20,26-29 Special Revenue Fund	1,637,975		1,449,766		1,375,382		1,712,360
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	1,236,633		1,942,156		1,971,789		1,207,000
22 Govt Designated-Purpose Grants Fund	0		5,620,205		5,620,205		0
23 Pupil Activity Special Revenue Fund	2,701,764		3,346,223		3,781,293		2,266,693
25 Transportation Fund	874,375		2,608,906		2,615,448		867,833
31 Bond Redemption Fund	6,879,737		6,804,657		6,355,498		7,328,896
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	2,971,394		2,007,042		1,852,422		3,126,014
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	8,130,559		2,030,479		8,975,804		1,185,234
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
<b>Totals</b>	<b>41,778,044</b>		<b>94,385,142</b>		<b>101,062,526</b>		<b>35,100,660</b>
<b>Proprietary</b>							
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
<b>Totals</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>
<b>Fiduciary</b>							
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
<b>Totals</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>

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