

Hanover School District No. 28
El Paso County, Colorado

Auditor's Report and Financial Statements

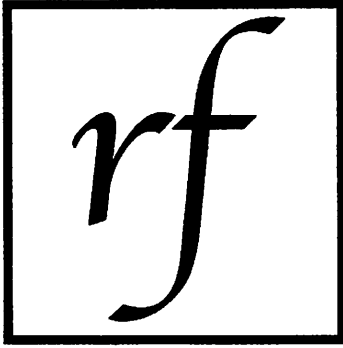
June 30, 2023

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Independent Auditor's Report

Board of Education
Hanover School District no. 28

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hanover School District no. 28 (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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 GAAS 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 GAAS 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, on pages iii-v, and other required supplementary information, on pages 40 through 44, 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 District's basic financial statements. The accompanying supplementary information on pages 45 through 49, including 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering District's internal control over financial reporting and compliance.

rfarmer, llc

February 12, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2023

The discussion and analysis of Hanover School District No 28's (the "District") financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements, financial statement footnotes, budgetary comparison schedules and additional supplementary information to broaden their understanding of the District's financial performance.

Financial Highlights

No major purchases have been planned for the 2022-2023 school year. Maintenance of effort within current programs and emphasis on funding federal and state mandated requirements have taken priority over the introduction of new programs or the purchase of new equipment or materials.

Using the Basic Financial Statements

The basic financial statements consist of the Management Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can first understand the District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. Both provide long and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail. The governmental fund statements tell how general District services 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 financial statements and provide more detailed data.

Financial Analysis of the District as a Whole

As of June 30, 2023, the District's total net position was \$3,054,323.

The District's governmental net position increased by \$1,407,465, net of restatement to \$1,646,858, from 2022 to 2023.

Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private businesses. The statements of net position include all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. The change in net position is important because it tells the reader that for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of various factors, some financial, some not. Non-financial factors include facility conditions and required educational programs.

In the Statement of Net Position and the Statement of Activities, the District has one distinct activity:

Governmental Activities – The majority of the District's programs and services are reported here including instruction, support services, operations and maintenance of plant, pupil transportation and extracurricular activities.

Most of the District's net position is invested in capital assets (buildings, land, and equipment). The remaining net position is a combination of restricted and unrestricted amounts. The restricted balances are amounts set aside by management for the repayment of debt or set aside as required by Colorado statutes for emergencies.

Reporting the District's Most Significant Funds

The analysis of the District's major funds begins on page 6. Fund financial reports provide detailed information about the District's major funds. The District's major funds are the General, Title Programs, and Debt Service Funds.

Governmental Funds

Most of the District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements of the Governmental Funds. The General Fund accounts for the majority of the District's instruction and support operations. The Title Programs Fund accounts for a portion of the District non-match grant activity, the Pupil Activity Fund accounts for extracurricular activity, the Food Service Fund accounts for all food services, and the Debt Service Fund accounts for the repayment of the District's general obligation debt. The Capital Reserve Projects Fund accounts for the remainder of District's major capital outlay.

Fund Financial Statements

As of June 30, 2023, the District's governmental funds reported a combined fund balance of \$1,738,946 which is an increase of \$341,577, after restatement, from the June 30, 2022 balance.

Capital Assets

As of June 30, 2023 the District had \$14,352,379 invested in a broad range of capital assets, including land, buildings, furniture and equipment. A summary of the District's Capital Assets is noted on page 17.

Debt Administration

As of June 30, 2023 the District had total outstanding long-term debt as noted on page 18.

General Fund Budget

The Board of Education adopts the District's budget in June of each year. Changes are then made in October when student enrollment is finalized. The adoption of supplemental budgets is allowed throughout the year when unanticipated additional revenues are received.

The difference in the original budget, which is due July 1st, and the final budget, which is due January 30th is mainly due to the student count. In October, we also have actual amounts for teachers' contracts and any special needs of students that may impact our budget. The October count also gives us a clearer picture of what we will receive for equalization from the state.

Economic Factors and Next Year's Budget

With declining enrollment and continuing impact of the state referenced "negative factors" non-appropriations, the District continues to examine revenue projections and possible required cuts in all areas. The District continues to work on ways to increase salaries to attract and retain highly qualified teachers for our students. The District will continue to pursue State and Local grants in order to achieve the District goals.

Requests for Information

This financial report is designed to provide a general overview of the Hanover School District No 28's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Hanover School District No 28, Business Manager, 17050 S. Peyton Hwy, Colorado Springs, CO 80928.

Hanover School District No. 28
Statement of Net Position
June 30, 2023

	Governmental Activities --Total
ASSETS	
Cash and Equivalents	\$ 2,449,830
Receivables	44,316
Due from Other Governmental Agencies	19,023
Inventories	9,706
Other assets	5,667
Capital Assets:	
Capital Assets, not being depreciated	227,585
Capital Assets, being depreciated	5,660,728
Total Capital Assets	5,888,313
 DEFERRED OUTFLOWS OF RESOURCES	
Net Deferred Outflows Pension	2,157,363
Net Deferred Outflows OPEB	36,382
Total Deferred Outflows	2,193,745
Total Assets	10,610,600
 LIABILITIES	
Accounts payable and accrued expenses	702,392
Accrued interest	16,919
Unearned Revenues	87,204
Long-term liabilities	
Due within one year	790,601
Due in more than one year	4,876,603
Total liabilities	6,473,719
 DEFERRED INFLOWS OF RESOURCES	
Net Deferred Inflows Pension	1,005,512
Net Deferred Inflows OPEB	77,046
Total Deferred Inflows	1,082,558
 NET POSITION	
Net investment in capital assets	4,037,172
Restricted:	
Debt Service	1,179,417
Preschool	112,072
Inventories	(12,528)
TABOR	135,957
Unrestricted	(2,397,767)
Total net position	\$ 3,054,323

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

Hanover School District No. 28
Statement of Activities
For the Year Ended June 30, 2023

	Program Revenue		Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government
<u>Functions/Programs</u>	Expenses	Charges for Services	Governmental Activities -- Total	
Primary government				
Governmental Activities				
Instructional:				
Instructional	\$ 2,515,588	\$ 30,293	\$ 1,423,986	\$ (1,061,309)
Supporting Services	2,630,156	23,052	246,362	(2,360,742)
Interest on Long Term Debt	49,120	-	-	(49,120)
Total Instructional	5,194,864	53,345	1,670,348	(3,471,171)
Total governmental activities	5,194,864	53,345	1,670,348	(3,471,171)
Total primary government	5,194,864	53,345	1,670,348	(3,471,171)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				\$ 519,782
Property taxes, levied for debt service				884,457
Specific ownership, general				141,857
State & federal aid not restricted to specific functions:				
State equalization/Per pupil revenue				3,274,324
Unrestricted investment earnings				49,906
Miscellaneous				8,310
Total general revenues, special items, and transfers				4,878,636
Change in net position				1,407,465
Net position - beginning				1,646,858
Net position - ending				\$ 3,054,323

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

Hanover School District No. 28
Balance Sheet
Governmental Funds
June 30, 2023

	General	Title Programs	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 987,679	\$ 21,719	\$ 1,352,198	\$ 88,234	\$ 2,449,830
Taxes receivable, net	25,374	-	-	-	25,374
Receivable from other governments	-	-	-	18,942	18,942
Other receivables	19,023	-	-	-	19,023
Inventories	-	-	-	9,706	9,706
Prepaid expenses	5,667	-	-	-	5,667
Total assets	<u>1,037,743</u>	<u>21,719</u>	<u>1,352,198</u>	<u>116,882</u>	<u>2,528,542</u>

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable	330,918	1,223	-	9,133	341,274
Unearned revenue	66,374	18,643	-	2,187	87,204
Other accrued expenses	354,702	1,853	-	4,563	361,118
Total liabilities	<u>751,994</u>	<u>21,719</u>	<u>-</u>	<u>15,883</u>	<u>789,596</u>
Fund balances:					
Non-spendable inventory	-	-	-	9,706	9,706
Restricted preschool	112,072	-	-	-	112,072
Restricted debt service	-	-	1,276,427	(9,162)	1,267,265
Assigned	-	-	75,771	100,455	176,226
Restricted-TABOR	141,624	-	-	-	141,624
Unassigned	32,053	-	-	-	32,053
Total fund balances	<u>285,749</u>	<u>-</u>	<u>1,352,198</u>	<u>100,999</u>	<u>1,738,946</u>
Total liabilities and fund balances	<u>\$ 1,037,743</u>	<u>\$ 21,719</u>	<u>\$ 1,352,198</u>	<u>\$ 116,882</u>	<u>\$ 2,528,542</u>

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

Hanover School District No. 28
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total fund balance, governmental funds	\$	1,738,946
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		5,888,313
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position: Pension Plan Deferred Outflow		2,193,745
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Some liabilities, (such as Notes Payable, Long-term Compensated Absences, Net Pension Liability, Pension Differences-Deferred Outflow and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(6,766,681)
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Net Position of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>3,054,323</u>
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The accompanying notes to financial statements
are an integral part of these statements.

Hanover School District No. 28
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	<u>General</u>	<u>Title Programs</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property Taxes	\$ 519,782	\$ -	\$ 884,457	\$ -	\$ 1,404,239
SO Tax	141,857	-	-	-	141,857
Student Activities	-	-	-	25,275	25,275
Intergovernmental	4,594,991	100,149	-	241,957	4,937,097
Charges for services	5,018	-	-	23,052	28,070
Investment earnings	20,851	-	29,054	-	49,905
Miscellaneous	17,800	-	-	4,100	21,900
Total revenues	<u>5,300,299</u>	<u>100,149</u>	<u>913,511</u>	<u>294,384</u>	<u>6,608,343</u>
EXPENDITURES					
Instructional:					
Instructional	2,456,683	100,149	-	19,023	2,575,855
Pupil Support	319,621	-	-	-	319,621
Non capital Outlay	-	-	-	13,307	13,307
General Administrative	615,928	-	-	-	615,928
School Administration	161,946	-	-	-	161,946
Total Instructional	<u>3,554,178</u>	<u>100,149</u>	<u>-</u>	<u>32,330</u>	<u>3,686,657</u>
Support Services:					
Business Services	205,361	-	-	-	205,361
Operations and Maintenance	623,379	-	-	-	623,379
Food Service	-	-	-	276,379	276,379
Pupil Transportation	409,364	-	-	-	409,364
Risk Management	249,424	-	-	-	249,424
Debt Service:					
Principal	-	-	705,000	62,082	767,082
Interest Expense	-	-	35,730	13,390	49,120
Total Expenditures	<u>5,041,706</u>	<u>100,149</u>	<u>740,730</u>	<u>384,181</u>	<u>6,266,766</u>
Excess (deficiency) of revenues over expenditures	<u>258,593</u>	<u>-</u>	<u>172,781</u>	<u>(89,797)</u>	<u>341,577</u>
OTHER FINANCING SOURCES					
Transfers in	-	-	-	102,780	102,780
Transfers out	(102,780)	-	-	-	(102,780)
Total other financing sources and uses	<u>(102,780)</u>	<u>-</u>	<u>-</u>	<u>102,780</u>	<u>-</u>
SPECIAL ITEM					
Net change in fund balances	155,813	-	172,781	12,983	341,577
Fund balances - beginning	129,936	-	1,179,417	88,016	1,397,369
Fund balances - ending	<u>\$ 285,749</u>	<u>\$ -</u>	<u>\$ 1,352,198</u>	<u>\$ 100,999</u>	<u>\$ 1,738,946</u>

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

Hanover School District No. 28

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2023**

Net change in fund balances - total governmental funds	\$	341,577
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$0 is less than depreciation of \$380,700 in the current period.		(380,700)
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.		767,082
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: Net difference between PERA pension and OPEB actual expense contributions		<u>679,506</u>
Change in net position of governmental activities	\$	<u><u>1,407,465</u></u>

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

Hanover School District No. 28
El Paso County, Colorado
Notes to the Financial Statements
June 30, 2023

Note 1 **Summary of Significant Accounting Policies**

The Hanover School District No. 28 (the “District”) was formed in 1962 encompassing approximately 256 square miles of southern El Paso County, Colorado. The District operates under an elected Board of Education with five members and provides educational services to approximately 250 students.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education within its boundaries of El Paso County, Colorado. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The accounting policies of the “District” conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the District’s management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (“GASB”) Statement No. 14, “The Financial Reporting Entity” and as subsequently amended.

Based upon the application of these criteria, no additional governmental organizations are includable within the District’s reporting entity, nor is the District included in any other organization.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the District as a whole. The reporting information includes all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are

those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds would be aggregated and reported as non-major funds. Fiduciary funds would be presented separately if present.

The District reports the following major governmental funds:

General Fund - This is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Bond Redemption Fund (Debt Service Fund) - This fund is used to account for the collection of dedicated property taxes and the related repayment of the District's general obligation debt.

Measurement Focus and Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements – The government-wide and fiduciary fund 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 at the same time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available as allowed by the per pupil operating revenue formula approved by the State legislature or within sixty days after year end. These revenues could include federal, state, and county grants, and some charges for services. Grants are only recognized to the extent allowable expenditures have been incurred. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balance

Cash and Investments – Cash of some funds are pooled into common pooled accounts in order to maximize investment opportunities. An individual fund’s pooled cash and cash investments are available upon demand and are considered to be “cash equivalents.” Negative balances incurred in pooled cash at year-end, while technically a liability of that fund, have not been reclassified at year end. Cash is kept in interest bearing accounts which are comprised of checking and money market accounts which are legally authorized. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Investments are recorded at fair value.

Cash and Cash Equivalents – The government’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables – All receivables are reported at their gross value, where appropriate, and are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at June 30, 2023. Property taxes levied in the current year but not received at year-end are identified as property taxes receivable and are presented net of an allowance for uncollectible taxes.

Inventory – Inventories recorded in the Food Service Fund consist of purchased and donated commodities. Purchased inventories are stated at average cost. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt.

Capital Assets – Capital assets used in governmental activities operations are shown on the government-wide financial statements. These assets are not shown in the governmental funds and are therefore listed as a reconciling item between the two presentations. Property and equipment acquired or constructed for governmental fund operations are recorded as expenditures in the fund, making the expenditure capitalized at cost in the government-wide presentation. No depreciation has been provided on capital assets in the governmental funds.

Property and equipment are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. The District’s policy is to capitalize inventory and depreciate all capital purchases of \$5,000 or more with a useful life in excess of one year.

Depreciation has been provided over the estimated useful lives of the asset in the government-wide presentation. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings and Improvements	20 - 50 Years
Transportation Equipment	8 Years
Other Equipment	5 - 20 Years

Staff Sick Leave and Personal Time Off – It is the District’s policy to permit employees to accumulate a limited amount of earned but unused sick leave and personal time off. The

amount of sick leave and time off is dependent upon whether the employee is full-time or part-time. The amount to be paid to the employee is dependent upon the length of service, whether they are retiring, and other conditions. The full policy can be reviewed at the District administrative offices. As all employees are contracted to work a set number of days during a year, no vacation accrual accumulates. The compensated absence liability is shown as long-term debt as payments are not funded with current resources.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element 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. The government has several items that qualify for reporting in this category, all related to outstanding pension and OPEB obligations.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element 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. The District reports deferred inflows for property taxes in the Bond Redemption Fund and pension and OPEB related deferrals.

Net Position/Fund Balance - In the government-wide financial statements, net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Amounts are reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Education, reported and at their highest level of action are reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (legislation, resolution, or ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed, are reported as “assigned” fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Assignments for the District are coordinated between the Board of Education, Superintendent and District’s business office.

All remaining governmental balances or deficits in the other governmental funds are presented as unassigned.

Net Position/Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Revenues and Expenditures/Expenses

Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Property Tax Revenues -Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor on October 1. Assessed values are an approximation of market value. The billings are considered due on these dates. The bill becomes delinquent, and penalties and interest may be assessed by the County Treasurer on the post mark day following these dates. The tax sale date is the first Thursday of November.

Under Colorado Law, all property taxes become due and payable on January 1, in the year following that in which they are levied. Due to the funding formula utilized by the Colorado Department of Education, property taxes are recognized as revenue when payable to the County Treasurer. Uncollected property taxes levied in 2022 for collection in 2023 are identified as property taxes receivable at June 30. Property taxes receivable in the Bond Redemption Fund that do not meet recognition criteria are recorded as a deferred inflow.

Budgets and Budgetary Accounting

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

1. Budgets are required by state law for all funds. Prior to April 1, the District submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution of the Board.
4. Expenditures may not legally exceed appropriations at the fund level. The District is authorized to transfer budgeted amounts between departments within any fund. However, the Board must approve any revisions that alter the total expenditures of any fund.

5. Formal budgetary integration is employed as a management control device during the year for the various funds.
6. Budgets for the various funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2 Cash and Investments

The District’s cash and investment balances are allocated as follows:

Cash and Equivalents	\$ 1,866,513
Investments - COLOTRUST	583,317
Total Cash and Investments	\$ 2,449,830

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The District’s deposit policy is in accordance with Colorado Revised Statutes (C.R.S.) 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. 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 (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed 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 institution’s internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required, by statute, to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At June 30, 2023, all of the District’s deposits were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial risk.

Investments

The District’s investments are allocated as follows:

	<u>Total</u>
Local Government Investment Pools – COLOTRUST	\$ 583,317

Credit Risk – Colorado statutes specify which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agency securities,
- Certain international agency securities,
- General obligation and revenue bonds of the U.S. local government entities,
- Bankers’ acceptances of certain banks,

- Commercial paper,
- Local government investment pools,
- Written repurchase agreements collateralized by certain authorized securities,
- Certain money market funds,
- Guaranteed investment contracts.

The District's investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

During the year ended June 30, 2023, the District invested funds in COLOTRUST. As an investment pool, it operates under the C.R.S. (24-75-701) and is overseen by the Colorado Securities Commissioner. It invests in securities that are specified by C.R.S. (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA).

General Description – If an external investment pool meets the criteria in GASB 79 Paragraph 4 and measures all of its investments at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in Paragraph 4, the pool's participants should measure their investments in the pool at fair value as provided in Paragraph 11 of GASB Statement 31, as amended.

COLOTRUST follows Financial Accounting Standards Board (FASB) Accounting Standards Topic (ASC) 820 *Fair Value Measurement and Disclosure* for financial reporting purposes. ASC 820 defines fair value, establishes a single framework for measuring fair value, and requires disclosures about fair value measurement. COLOTRUST does not meet all of the specific criteria outlined in GASB 79 Paragraph 4, therefore COLOTRUST Participants should measure their investments in COLOTRUST at fair value as provided in Paragraph 11 of GASB Statement 31, as amended. COLOTRUST reports the amortized cost of investments, which approximates fair value, to its Participants.

Public Trust interprets GASB 31, as amended by GASB 79, to mean that COLOTRUST should measure all of the investments in COLOTRUST at fair value. Therefore, your Participant balance should be considered the fair value of your investment in COLOTRUST. This information provided may be required for the financial reporting of Participants in COLOTRUST. Participants should consult their auditing and accounting professionals regarding their specific reporting requirements.

GASB 72 Note Disclosure Requirement for COLOTRUST – COLOTRUST measures its investments at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore a Participant's investment in COLOTRUST is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72.

Credit Quality Disclosure – COLOTRUST PLUS+ and COLOTRUST PRIME are rated by S&P Global Ratings. The current rating is 'AAAm.' COLOTRUST Edge is rated by FitchRatings. The current rating is 'AAAf/S1.'

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2023, the District did not have any investments requiring safekeeping. The majority of the District’s bond funds are held by UMB, the District’s third-party trustee.

Note 3 Capital Assets

Activity for the capital assets of the District is summarized below:

	Balance 07/01/2022	Additions Reclassifications	Deletions Reclassifications	Balance 06/30/2023
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$ 227,585	\$ -	\$ -	\$ 227,585
Capital Assets being depreciated:				
Building and Improvement	11,989,661	-	-	11,989,661
Equipment	1,151,706	-	-	1,151,706
Food Service Equipment	286,302	-	-	286,302
Transportation Equipment	924,710	-	-	924,710
Total	<u>14,352,379</u>	<u>-</u>	<u>-</u>	<u>14,352,379</u>
Less Accumulated Depreciation:				
Building and Improvement	(6,379,988)	(303,467)	-	(6,683,455)
Equipment	(941,436)	(35,715)	-	(977,151)
Food Service Equipment	(283,083)	(2,143)	-	(285,226)
Transportation Equipment	(706,445)	(39,375)	-	(745,820)
Total	<u>(8,310,952)</u>	<u>(380,700)</u>	<u>-</u>	<u>(8,691,652)</u>
Net Capital Assets	<u>\$ 6,269,012</u>	<u>\$ (380,700)</u>	<u>\$ -</u>	<u>\$ 5,888,312</u>

The District’s depreciation is allocated to its various programs as follows:

Instruction	\$ 341,325
Supporting Services	39,375
Total Depreciation	<u>\$ 380,700</u>

Note 4 Inventories

Food Service Fund inventory as of June 30, 2023, of \$6,244 consisted of purchased and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

Note 5 Accrued Salaries and Benefits

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2023, are \$361,552. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General and Food Service Funds.

Note 6 Long-Term Debt

The following is a summary of the District’s long-term debt activity for the year ended June 30, 2023:

Summary of Long-Term Debt:	Balance 6/30/22	Advances	Payments	Balance 6/30/23	Current Portion
2010 GO Refunding Bonds	\$ 1,435,000	\$ -	\$ (705,000)	\$ 730,000	\$ 730,000
Capital Leases	194,275	-	(43,913)	150,362	17,020
Bus Lease Purchase	222,819	-	(42,641)	180,178	43,581
PERA Net Pension Liability	3,158,308	1,210,678	-	4,368,986	-
OPEB	170,923	21,306	-	192,229	-
Accrued Compensated Absences	42,449	-	-	42,449	-
	<u>\$ 5,223,774</u>	<u>\$ 1,231,984</u>	<u>\$ (791,554)</u>	<u>\$ 5,664,204</u>	<u>\$ 790,601</u>

Payments on the bonds are funded through the Bond Redemption Fund, payments for vehicle and building improvement leases are budgeted and paid through the Capital Reserve Projects Fund. Copier lease payments are made through the General Fund, payments towards pension liabilities and leave are funded in accordance with the underlying payroll expense.

General Obligation Bonds Payable

In October of 2010, the District issued \$7,380,000 in general obligation refunding bonds for the purpose of advance refunding a portion of the District’s outstanding General Obligation Bonds, series 2003 and a portion of the District’s outstanding General Obligations Bonds, series 2004. Principal payments are due annually on December 1, through 2023. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2.0% to 3.0%.

Principal and interest is payable on the outstanding bonds is as follows:

	Principal	Interest	Total
2024	<u>730,000</u>	<u>11,388</u>	<u>741,388</u>

Capital Leases

In August of 2016, the District entered into a capital lease arrangement for the purchase of energy savings equipment. The lease was for \$60,000 and requires annual payments through August, 2031 of \$5,415 including 4.0% interest. The District has capitalized assets of \$60,300 related to this lease. In case of default, the lessor has the option to exercise any one of the following remedies: (a) obtain possession of the equipment, and (b) exercise any other right, remedy, or privilege which may be available to it under applicable law. In additions, the District shall remain liable for all covenants and indemnities under this lease and for all legal fees and other costs and expenses, including court costs, incurred by the lessor with respect to the enforcement of any of the remedies listed above or any other remedy available to the lessor.

In January of 2018, the District entered into a capital lease arrangement for the purchase of energy savings equipment. The lease was for \$182,749 and requires annual payments through August, 2032 of \$16,748 including 4.5% interest. The District has capitalized assets of \$182,749 related to this lease. In case of default, the lessor has the option to exercise any one of the following remedies: (a) obtain possession of the equipment, and (b) exercise any other right, remedy, or privilege which may be available to it under applicable law. In additions, the District shall remain liable for all covenants and indemnities under this lease and for all legal fees and other costs and expenses, including court costs, incurred by the lessor with respect to the enforcement of any of the remedies listed above or any other remedy available to the lessor.

The future minimum energy lease payments at June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>2016 Lease</u>	<u>2018 Lease</u>	<u>Total</u>
2024	\$ 5,415	\$ 16,748	\$ 22,163
2025	5,415	16,748	22,163
2026	5,415	16,748	22,163
2027	5,415	16,748	22,163
2028	5,415	16,748	22,163
2029-2033	21,660	83,739	105,399
Total Future Minimum Payments	48,735	167,479	216,214
Less: Interest	(12,942)	(52,910)	(65,852)
Present Value Obligation	<u>\$ 35,793</u>	<u>\$ 114,569</u>	<u>\$ 150,362</u>

In December of 2017, the District entered into a lease agreement for \$24,995 for the purchase of a van. Annual payments of \$5,052 are due through December 2022, at an interest rate of 4.0%. The District has capitalized assets of \$24,995 related to this lease. In case of default, the lessor has the right to take one or any combination of the following remedies with or without terminating the lease. The District may be required to pay the lessor all contract payments and other amounts payable to the end of the then current Budget Year being immediately due and payable. Under this scenario the District may be required to deliver the equipment to the lessor within fifteen (15) days after the event of default occurs. The lessor may exercise any other right or remedy available at law or in equity. The District is liable for any damages to the equipment and all legal fees and other costs and expenses incurred in the enforcement of the lessor's rights under this contract to remedy. This was paid in full during 2022-23.

In November of 2018, the District entered into a lease agreement for \$24,990 for the purchase of a Van. Annual payments of \$5,753 are due through November 2023, at an interest rate of 4.8%. The District has capitalized assets of \$27,680 related to this lease. In case of default, the lessor has the right to take one or any combination of the following remedies with or without terminating the lease. The District may be required to pay the lessor all contract payments and other amounts payable to the end of the then current Budget Year being immediately due and payable. Under this scenario the District may be required to deliver the equipment to the lessor within fifteen (15) days after the event of default occurs. This was paid in full during 2022-23.

During 2021-22, the District entered into a lease purchase agreement for two school buses at a cost of \$183,900 and a bus barn at a cost of \$83,251 for a total of \$267,151. The agreement calls for six annual payments of \$47,556 each with the first payment paid January 2022. Interest is at 2.206%. The bus barn was not built as of June 30, 2022. As a result, the \$83,251 is held in escrow until such time as the bus barn is completed.

The future minimum school buses/bus barn lease payments at June 30, 2023, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 43,581	\$ 3,975	\$ 47,556
2025	44,542	3,014	47,556
2026	45,525	2,031	47,556
2027	46,530	1,026	47,556
Total	<u>\$ 180,178</u>	<u>\$ 10,046</u>	<u>\$ 190,224</u>

Note 7 Jointly Governed Organization

BOCES

The District, in conjunction with other surrounding districts, created the Pikes Peak Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. During the fiscal year ended June 30, 2023, the District paid total assessments of \$182,334 to the BOCES. Financial statements for the BOCES can be obtained from the BOCES administrative office.

Note 8 Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit

payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

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

Benefits provided as of December 31, 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.

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

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

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

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

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

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

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

Contributions provisions as of June 30, 2023: Eligible employees of, the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 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 District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$481,130 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 a \$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.

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 District proportion of the net pension liability was based on the District’s 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 District reported a liability of \$4,368,986 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

The District’s proportionate share of the net pension liability	\$ 4,368,986
The State’s proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	1,273,166
Total	<u>\$ 5,642,152</u>

At December 31, 2022, the District proportion was 0.0309847%, which was approximately the same as its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$140,206 and revenue of \$140,206 for support from the State as a nonemployer contributing entity. At

June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 53,397	\$ -
Changes of assumptions or other inputs	99,940	-
Net difference between projected and actual earnings on pension plan investments	1,763,461	1,005,512
Contributions subsequent to the measurement date	240,565	N/A
Total	\$ 2,157,363	\$ 1,005,512

\$240,565 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:

<u>Year Ended June 30:</u>	
2024	\$ 71,232
2025	121,338
2026	277,851
2027	440,865
2028	-
Thereafter	-

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 ¹	Financed by AIR

¹Post-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.

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.
- 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.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% increase (8.25%)
Proportionate share of the net pension liability	\$5,717,501	\$4,368,986	\$3,242,839

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

Note 9 Defined Contribution Pension Plans

Voluntary Investment Program (PERAPlus 401(k) Plan)

Plan Description - Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program (PERAPlus 401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA.

Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the PERAPlus 401(k) Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The PERAPlus 401(k) Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

Deferred Compensation Plan (PERAPlus 457 Plan)

Plan Description - Employees of the District may voluntarily contribute to the Deferred Compensation Plan (PERAPlus 457 Plan), an Internal Revenue Code Section 457 deferred compensation plan administered by PERA. Title 24, Article 51, Part 16 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the PERAPlus 457 Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The PERAPlus 457 Plan is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1603 of the C.R.S., as amended. In addition, the District has agreed to match employee contributions, up to a percentage of covered salary as determined by the Internal Revenue Service. Members are immediately vested in their own contributions, employer contributions and investment earnings.

Note 10

Defined Benefit Other Post Employment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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.

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

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

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

DPS Benefit Structure. The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$24,369 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 District reported a liability of \$192,229 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 District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the District's proportion was 0.0225437%, which was approximately the same as its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$24,369. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 25	\$ 46,487
Changes of assumptions or other inputs	3,089	21,216
Net difference between projected and actual earnings on pension plan investments	21,084	9,343
Contributions subsequent to the measurement date	12,184	N/A
Total	<u>\$ 36,382</u>	<u>\$ 77,046</u>

\$12,184 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:

<u>Year Ended June 30:</u>	
2024	\$ (19,151)
2025	(17,982)
2026	(8,351)
2027	(1,252)
2028	(4,978)
Thereafter	(1,133)

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

	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method			Entry age	
Price inflation			2.30%	
Real wage growth			0.70%	
Wage inflation			3.00%	
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40%	N/A
Long-term investment rate of return, net of OPEB				
plan investment expenses, including price inflation			7.25%	
Discount rate			7.25%	
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.

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.

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 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 on a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

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

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

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

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

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

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

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

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

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

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

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The following health care costs assumptions were updated and used in the roll-forward calculation for the 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 14, 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.

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

	1% Decrease In Trend Rates	Current Trend Rates	1% Increase In Trend Rates
Initial PERACare Medicare trend rate	5.50%	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	\$186,788	\$192,229	\$198,149

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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% increase (8.25%)
Proportionate share of the net OPEB liability	\$222,850	\$192,229	\$166,038

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

Note 11 Summary Disclosure of Significant Contingencies, Restrictions, and Commitments

Claims and Judgments - The District participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2023, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental and proprietary funds or the overall financial position of the District.

Tabor Amendment - In November 1992, Colorado voters passed the Tabor Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations. The District is subject to the Tabor Amendment. Fiscal year 2001 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded unless the District’s electorate votes to retain the revenue. In November of 1997, the voters of the District approved a ballot measure which allows the District to retain, appropriate, and utilize the full revenues received from every source whatever, without limitation, in 1997 and all subsequent years. The Tabor

Amendment is subject to many interpretations, but the District feels it is in substantial compliance with the Amendment.

Pursuant to the Amendment the District is required to set aside 3% of “fiscal year spending” as an emergency reserve. The District has reserved \$135,957 of fund balance in the General Fund to meet this requirement.

The District has restricted all of the available carryover in the Bond Redemption for debt service. Amounts received and utilized for the Colorado Preschool Program are restricted by statute. A summary of the District’s restricted governmental funds is as follows:

Restricted for Debt Service	\$ 1,179,417
Restricted for TABOR Emergencies	\$ 135,957
Restricted for Colorado Preschool Program	\$ 112,072

Note 12 Risk Management

Property and Liability Coverage

The District belongs to the Colorado School District Self Insurance Pool (“CSDSIP”) that was formed in 1981 to give individual school districts more buying power and financial stability. By partnering with districts across the state, members gain better access to essential coverage at a competitive price, and more control over the entire risk management function. The coverage provided by CSDSIP is property, crime, general liability, auto liability and physical damage, and errors and omissions. CSDSIP became self-administered in 1997.

The board of directors is comprised of nine persons who are district school board members, superintendents, or district business officials. Each member’s premium contribution is determined by CSDSIP based on factors including, but not limited to, the aggregate CSDSIP claims, the cost of administrative and other operating expenses, the number of participants, operating and reserve fund adequacy, investment income and reinsurance expense and profit sharing. Reporting to the Division of Insurance, as well as an audit and actuarial study is conducted annually. These reports may be obtained by contacting the CSDSIP administrative offices at 6857 South Spruce Street, Centennial, CO 80112. The District has not materially changed its coverage from previous years. The District has not recorded any liability for unpaid claims at June 30, 2023.

CSDSIP has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members.

The ultimate liability to the District resulting from claims not covered by the pool is not recently determinable. Management is of the opinion that the final outcome of such claims, if any, will not have a material adverse effect on the District’s financial statements.

Workers Compensation

The District carries commercial insurance for worker's compensation coverage. Risk of loss transfers to the carrier.

Note 13 Budget Violation

The District's expenditures exceeded appropriations in the food service fund, the pupil activity fund, the general fund, the title fund, and the debt service fund. The over expenditures may be a violation of Colorado statutes.

Note 14 Beginning Fund Balance, Adjusted

During 2022-23, the District discovered that federal and state payroll taxes withheld were not being paid to the Internal Revenue Service and Colorado Department of Revenue timely. Further investigation by the District found that the taxes had not been paid for several years. As a result, the beginning fund balance in the general fund has been restated for the amount paid to the Colorado Department of Revenue after June 30, 2023, and for an estimated amount that may be owed to the Internal Revenue Service. The District has worked with the Internal Revenue Service to get a final balance due, but as of the date of this report the Internal Revenue Service has not provided a final amount due.

	<u>General Fund</u>	<u>Statement of Net Position</u>
Beginning Balance	\$ 639,825	\$ 2,156,749
Adjustment for payroll taxes	(509,982)	(509,982)
Beginning Balance, adjusted	<u>\$ 129,843</u>	<u>\$ 1,646,767</u>

Required Supplementary Information

Hanover School District No. 28
Schedule of the District's Proportionate Share of the Net Pension Liability PERA
For the Year Ended June 30, 2023

	for the years ended December 31,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion (percentage) of the collective net pension liability	0.000309847	0.000302506	0.00031499	0.0003572	0.0003392	0.0003777	0.0004065	0.0004343	0.0004465	0.0004592
District's proportionate share of the collective pension liability	\$ 4,368,986	\$ 3,158,308	\$ 4,762,121	\$ 5,336,326	\$ 6,006,038	\$ 12,212,320	\$ 12,103,721	\$ 6,641,568	\$ 6,052,130	\$ 5,858,691
Payroll	\$ 2,389,132	\$ 1,890,719	\$ 1,684,428	\$ 2,097,377	\$ 1,864,704	\$ 1,820,709	\$ 1,732,638	\$ 1,873,716	\$ 1,891,185	\$ 1,877,385
District's proportionate share of the net pension liability as a percentage of its payroll	182.87%	167.04%	282.71%	254.43%	322.09%	670.75%	698.57%	354.46%	320.02%	312.07%
Plan fiduciary net pension as a percentage of the total pension liability	61.79%	74.86%	66.99%	64.52%	57.01%	43.96%	43.13%	59.16%	62.84%	64.07%

GASB Statement No. 68 requires ten years of information to be presented in this table.

Hanover School District No. 28
Schedule of the District's Proportionate Share of the Net Liability OPEB
For the Year Ended June 30, 2023

	for the years ended December 31,						
	2022	2021	2020	2019	2018	2017	2016
District's proportion (percentage) of the collective net pension liability	0.000235437	0.000197529	0.0001821	0.0002332	0.0002026	0.0002047	0.0001952
District's proportionate share of the collective OPEB liability	\$ 192,229	\$ 170,923	\$ 173,083	\$ 347,209	\$ 275,654	\$ 266,008	\$ 253,023
Payroll	\$ 2,389,132	\$ 1,890,719	\$ 1,684,428	\$ 2,097,377	\$ 1,864,704	\$ 1,820,709	\$ 1,732,638
District's proportionate share of the net pension liability as a percentage of its payroll	8.05%	9.04%	10.28%	16.55%	14.78%	14.61%	14.60%
Plan fiduciary net pension as a percentage of the total pension liability	38.57%	39.40%	32.75%	16.51%	16.72%	17.53%	17.03%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Hanover School District No. 28
Schedule of Contributions and Related Ratios PERA
For the Year Ended June 30, 2023

	for the years ended December 31,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutory required contributions	\$ 481,130	\$ 375,875	\$ 330,696	\$ 809,123	\$ 356,718	\$ 343,913	\$ 318,445	\$ 332,358	\$ 319,481	\$ 300,135
Contributions in relation to the statutorily required contribution	481,130	375,875	330,696	809,123	356,718	343,913	318,445	332,358	319,481	300,135
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll	\$ 2,389,132	\$ 1,684,428	\$ 1,684,428	\$ 2,097,377	\$ 1,864,704	\$ 1,820,709	\$ 1,732,638	\$ 1,873,716	\$ 1,891,185	\$ 1,877,385
Contribution as a percentage of payroll	20.14%	22.31%	19.63%	38.58%	19.13%	18.89%	18.38%	17.74%	16.89%	15.99%

GASB Statement No. 68 requires ten years of information to be presented in this table.

Hanover School District No. 28
Schedule of Contributions and Related Ratios OPEB
For the Year Ended June 30, 2023

	for the years ended December 31,						
	2022	2021	2020	2019	2018	2017	2016
Statutory required contributions	\$ 24,369	\$ 19,285	\$ 17,181	\$ 21,393	\$ 19,020	\$ 18,571	\$ 17,673
Contributions in relation to the statutorily required contribution	<u>24,369</u>	<u>19,285</u>	<u>17,181</u>	<u>21,393</u>	<u>19,020</u>	<u>18,571</u>	<u>17,673</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Payroll	\$ 2,389,132	\$ 1,890,719	\$ 1,684,428	\$ 2,097,377	\$ 1,864,704	\$ 1,820,709	\$ 1,732,638
Contribution as a percentage of payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Hanover School District No. 28
Budget and Actual
General
For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Property Taxes	\$ 520,742	\$ 520,742	\$ 519,782
SO Taxes	115,932	115,932	141,857
Intergovernmental	4,594,953	4,319,944	4,594,991
Charges for services	-	-	5,018
Investment earnings	654	654	20,851
Miscellaneous	134,266	134,266	17,800
Total revenues	<u>5,366,547</u>	<u>5,091,538</u>	<u>5,300,299</u>
EXPENDITURES			
Instructional:			
Instruction	2,106,751	2,460,681	2,456,683
Pupil Support	281,345	267,510	319,621
General Administration	601,875	469,558	615,928
School Administration	167,670	236,918	161,946
Support Services:			
Business Services	187,192	213,442	205,361
Operations and Maintenance	669,141	682,751	623,379
Pupil Transportation	415,935	405,825	409,364
Risk Management	282,617	282,617	249,424
Total Expenditures	<u>4,712,526</u>	<u>5,019,302</u>	<u>5,041,706</u>
Excess (deficiency) of revenues over expenditures	<u>654,021</u>	<u>72,236</u>	<u>258,593</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(245,173)</u>	<u>(276,173)</u>	<u>(102,781)</u>
Total other financing sources and uses	<u>(245,173)</u>	<u>(276,173)</u>	<u>(102,781)</u>
Net change in fund balances	408,848	(203,937)	155,812
Fund balances - beginning	522,768	522,768	639,828
Fund balances - ending	<u>\$ 931,616</u>	<u>\$ 318,831</u>	<u>\$ 795,640</u>

Other Supplementary Information

Hanover School District No. 28
Balance Sheet
Other Governmental Funds
June 30, 2023

	Food Service Fund	Pupil Activity Fund	Capital Reserve Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ (8,857)	\$ 16,139	\$ 80,952	\$ 88,234
Receivable from other governments	18,942	-	-	18,942
Inventories	9,706	-	-	9,706
Total assets	19,791	16,139	80,952	116,882
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	9,133	-	-	9,133
Deferred revenue	2,187	-	-	2,187
Other accrued expenses	4,563	-	-	4,563
Total liabilities	15,883	-	-	15,883
 Fund balances:				
Non-spendable-inventories	9,706	-	-	9,706
Debt service	(9,162)	-	-	(9,162)
Assigned	3,364	16,139	80,952	100,455
Total fund balances	3,908	16,139	80,952	100,999
Total liabilities and fund balances	\$ 19,791	\$ 16,139	\$ 80,952	\$ 116,882

Hanover School District No. 28
Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2023

	<u>Food Service Fund</u>	<u>Pupil Activity Fund</u>	<u>Capital Reserve Projects Fund</u>	<u>Total Special Revenue Funds</u>
REVENUES				
Student Activities	\$ -	\$ 25,275	\$ -	25,275
Intergovernmental	241,957	-	-	241,957
Charges for services	23,052	-	-	23,052
Miscellaneous	4,100	-	-	4,100
Total revenues	<u>269,109</u>	<u>25,275</u>	<u>-</u>	<u>294,384</u>
EXPENDITURES				
Instructional:				
Pupil Activities	-	19,023	-	19,023
Non capital outlay	-	-	13,307	13,307
Support Services:				
Food Services	276,379	-	-	276,379
Debt Service:				
Principal	-	-	62,082	62,082
Interest and other charges	-	-	13,390	13,390
Capital outlay	-	-	-	-
Total Expenditures	<u>276,379</u>	<u>19,023</u>	<u>88,779</u>	<u>384,181</u>
Excess (deficiency) of revenues over expenditures	<u>(7,270)</u>	<u>6,252</u>	<u>(88,779)</u>	<u>(89,797)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,000	-	88,780	102,780
Total other financing sources and uses	<u>14,000</u>	<u>-</u>	<u>88,780</u>	<u>102,780</u>
Net change in fund balances	6,730	6,252	1	12,983
Fund balances - beginning	(2,822)	9,887	80,951	88,016
Fund balances - ending	<u>\$ 3,908</u>	<u>\$ 16,139</u>	<u>\$ 80,952</u>	<u>\$ 100,999</u>

Hanover School District No. 28
Budget and Actual
Food Service
For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 174,186	\$ 181,027	\$ 241,957
Charges for services	29,565	29,565	23,052
Miscellaneous	-	-	4,100
Total revenues	<u>203,751</u>	<u>210,592</u>	<u>269,109</u>
EXPENDITURES			
Support Services:			
Food Services	273,636	273,636	276,379
Total Expenditures	<u>273,636</u>	<u>273,636</u>	<u>276,379</u>
Excess (deficiency) of revenues over expenditures	<u>(69,885)</u>	<u>(63,044)</u>	<u>(7,270)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	86,000	86,000	14,000
Total other financing sources and uses	<u>86,000</u>	<u>86,000</u>	<u>14,000</u>
SPECIAL ITEM			
Net change in fund balances	16,115	22,956	6,730
Fund balances - beginning	(2,821)	(2,821)	(2,822)
Fund balances - ending	<u>\$ 13,294</u>	<u>\$ 20,135</u>	<u>\$ 3,908</u>

Hanover School District No. 28
Budget and Actual
Pupil Activity Fund
For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Student activities	\$ 5,000	\$ 5,000	\$ 25,275
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>25,275</u>
EXPENDITURES			
Noninstructional Services:			
Student activities	-	-	19,023
Total Expenditures	<u>-</u>	<u>-</u>	<u>19,023</u>
Excess (deficiency) of revenues over expenditures	<u>5,000</u>	<u>5,000</u>	<u>6,252</u>
SPECIAL ITEM			
Net change in fund balances	5,000	5,000	6,252
Fund balances - beginning	-	-	9,887
Fund balances - ending	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 16,139</u>

Hanover School District No. 28
Budget and Actual
Title Programs
For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,149
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>100,149</u>
 EXPENDITURES			
Instructional:			
Instruction	<u>100,000</u>	<u>100,000</u>	<u>100,149</u>
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>100,149</u>
 Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Hanover School District No. 28
Budget and Actual
Debt Service
For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Property Taxes	\$ 838,620	\$ 838,620	\$ 884,457
Investment earnings	-	16,000	29,054
Total revenues	<u>838,620</u>	<u>854,620</u>	<u>913,511</u>
EXPENDITURES			
Debt Service:			
Principal	705,000	705,000	705,000
Interest and other charges	33,538	33,538	35,730
Total Expenditures	<u>738,538</u>	<u>738,538</u>	<u>740,730</u>
Excess (deficiency) of revenues over expenditures	<u>100,082</u>	<u>116,082</u>	<u>172,781</u>
SPECIAL ITEM			
Net change in fund balances	100,082	116,082	172,781
Fund balances - beginning	1,179,417	1,179,417	1,179,417
Fund balances - ending	<u>\$ 1,279,499</u>	<u>\$ 1,295,499</u>	<u>\$ 1,352,198</u>

Hanover School District No. 28
Budget and Actual
Capital Reserve Projects Fund
For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Total revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Instructional :			
Non capital Outlay	-	-	13,307
Debt Service:			
Principal	76,887	76,887	62,082
Interest and other charges	15,000	15,000	13,390
Capital Outlay	90,000	10,000	-
Total Expenditures	<u>181,887</u>	<u>101,887</u>	<u>88,779</u>
Excess (deficiency) of revenues over expenditures	<u>(181,887)</u>	<u>(101,887)</u>	<u>(88,779)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>72,556</u>	<u>101,887</u>	<u>88,780</u>
Total other financing sources and uses	<u>72,556</u>	<u>101,887</u>	<u>88,780</u>
SPECIAL ITEM			
Net change in fund balances	(109,331)	-	1
Fund balances - beginning	92,000	92,000	80,951
Fund balances - ending	<u>\$ (17,331)</u>	<u>\$ 92,000</u>	<u>\$ 80,952</u>

Hanover School District No. 28
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2023

GRANT TITLE	<u>GRANT CODE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AMOUNT OF AWARD EXPENDED</u>
DEPARTMENT OF AGRICULTURE:			
National School Lunch Program Cluster			
School Breakfast Program	4553	10.553	\$ 5,213
National School Lunch Program	4556	10.556	134,581
National School Lunch Program	4555	10.555	14,349
National School Breakfast Program	4553	10.553	52,714
Federal Summer Program	4559	10.599	2,711
Supply Chain Assistance	6555	10.555	25,391
Commodities Received	4555	10.555	<u>6,014</u>
Total			240,973
 DEPARTMENT OF EDUCATION/ COLORADO DEPARTMENT OF EDUCATION:			
Title II Part A	4367	84.367	14,632
Title I	4010	84.010	85,950
ESSER III	4414	84.414	247,366
ESSER II	4420	84.420	88,136
Title IV	4424	84.424	10,000
SNAP P-EBT	4649	84.649	1,281
CO EC stabilization grant	7575	84.575	12,169
Education work force	4430	84.430	100,000
CDC Nursing work force	7354	84.354	54,967
ESSER III set aside	9414	84.414	23,741
Small, Rural School Achievement	5358	84.358	19,034
Impact Aid	4041	84.041	8,404
			<u>665,680</u>
 TOTAL FEDERAL FINANCIAL AWARDS			 <u><u>\$ 906,653</u></u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

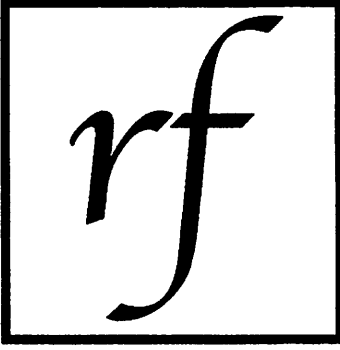
NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hanover School District and is presented on the modified accrual basis of accounting.

Hanover School District also received non-cash commodities of \$6,014, which is valued at amounts determined by the Colorado Department of Education and USDA.

Hanover School District does not use the 10% de minimis cost rate.

Hanover School District did not have any sub-recipients for the 2022-23 school year.



Independent Auditor's Report

Board of Education
Hanover School District No. 28

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover School District No. 28 (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 12, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2023-001.

Hanover School District No. 28 Response to Findings

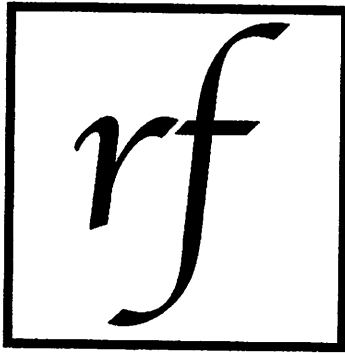
Government Auditing Standards requires the auditor to perform procedures Hanover School District No. 28's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Hanover School District No. 28's response was not subjected to the other auditing standards applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

rfarmer, llc

February 12, 2024



Independent Auditor's Report

Board of Education
Hanover School District No. 28

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hanover School District No. 28's compliance with the types of compliance requirements¹ identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hanover School District No. 28's major federal programs for the year ended June 30, 2023. Hanover School District No. 28'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, Hanover School District No. 28 complied, in all material respects, with the 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Hanover School District No. 28 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 Hanover School District No. 28'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 Hanover School District No. 28'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 Hanover School District No. 28'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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hanover School District No. 28's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hanover School District No. 28'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 Hanover School District No. 28'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 Hanover School District No. 28'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.

rfarmer, llc

February 12, 2024

Hanover School District No. 28
Schedule of Findings and Questioned Costs
June 30, 2023

Section I: Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficiency(ies) identified?	_X_ Yes	___ None Reported
Noncompliance material to financial statements noted?	___ Yes	_X_ No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	___ Yes	_X_ No
• Significant deficiency(ies) identified?	___ Yes	_X_ None Reported
Type of auditor's report issued on compliance for major federal 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 federal programs:		
Assistance Listing		Name of Federal Program or Cluster
Number(s): 84.414		ESSER III
84.420		ESSER II
84.430		Education Work Force
Dollar threshold used to distinguish between type A and type B programs: \$750,000		
Auditee qualified as a low-risk auditee?	___ Yes	_X_ No

Hanover School District No. 28
Schedule of Findings and Questioned Costs
June 30, 2023
(CONTINUED)

Section II: Financial Statement Findings

Audit Finding Related to Internal Controls over Financial Reporting

Finding 2023-001:

Criteria: All entities should have controls in place relating to financial reporting.

Condition and Context: For the year ended June 30, 2023, the District discovered that federal and state payroll taxes withheld had not be paid timely. The amount of unpaid taxes is approximately \$509,982.

Cause: The District did not have controls in place to ensure the payment of payroll taxes withheld.

Effect or Potential Effect: The \$509,982 will reduce an already low balance of cash and will cause a restatement of the fund balance in the general fund by reducing the July 1, 2022, beginning fund balance.

Recommendation: The board and management of the District should implement controls to ensure that all payroll withholding amounts are paid in full and timely.

Responsible Official's Response: The board and management are in agreement with the recommendation.

Section III: Federal Awards Findings

No findings to report.