

**HINSDALE COUNTY SCHOOL DISTRICT RE-1  
LAKE CITY, COLORADO**

**FINANCIAL STATEMENTS**

**June 30, 2023**



**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
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June 30, 2023

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Hinsdale County School District RE-1  
Lake City, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hinsdale County School District RE-1 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Hinsdale County School District RE-1, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hinsdale County School District RE-1 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 of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Hinsdale County School District RE-1 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 these 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 Hinsdale County School District RE-1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 Hinsdale County School District RE-1'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 Hinsdale County School District RE-1's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

Board of Education  
Hinsdale County School District RE-1

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hinsdale County School District RE-1's basic financial statements. The supplementary information and the auditor's integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*DMC Auditing and Consulting, LLC*

December 14, 2023  
Bailey, Colorado

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**Management's Discussion and Analysis**  
**For the fiscal year ended June 30, 2023**

**Management's Discussion and Analysis**

As management of Hinsdale County School District RE-1, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

**Financial Highlights**

- The district reports the net pension liability at the end of FY2023 as \$2,381,926 and the OPEB liability to be \$81,183.
- General Fund revenues accounted for \$2,171,745 and \$1,931,743 in 2023 and 2022 respectively.
- Fund balance in the General Fund increased by \$126,501 in 2023 and decreased \$423,880 in 2022. The District purchased the Wee Care building from Hinsdale County last year which accounted for the decrease in fund balance in fy2022. The district was able to add to our fund balance for the FY2023.
- At the end of the fiscal years 2023 and 2022 unassigned fund balance in the General fund was \$1,459,244 and \$1,332,743 respectively.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instructional services, pupil services, instructional staff services, general administration services, school administration services, business services, maintenance and capital asset services, transportation services, central, and community services.

The government-wide financial statements include only the District itself, as the District has no component units. The government-wide financial statements can be found on pages 6-9 of the audit report.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**Management's Discussion and Analysis**  
**For the fiscal year ended June 30, 2023**

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds are divided into three categories: governmental funds, proprietary funds and fiduciary funds. The District uses only governmental funds.

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

Because the focus of the *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained three individual governmental funds at the end of fiscal year 2023. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Bond Redemption Debt Service Fund, and the food service fund, these three are considered to be the major funds.

The District adopts an annual appropriated budget for all funds. In 2020 the Food Service fund was not in place because our district did not have a food service program for the FY2020 school year. We did have this in the FY2021 school year and have had this going forward. A budgetary comparison statement has been provided for the general fund, the debt service fund, and the food service fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 6 through 9 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 12 of the audit report.

**District-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Districts assets, they exceed liabilities by \$9,915,764 for 2023 and assets exceeded liabilities by \$10,439,226 in 2022.

One of the largest portions of the District's net position (\$10,530,172) reflects its investment in capital assets (e.g., land, buildings, improvements and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Property taxes are levied specifically to fund debt service on general obligation bonds.

The other large portion of net position is the District's net pension liability and the other post-employment benefit liability for employees covered under PERA. This net pension liability is \$2,381,926 at June 30, 2023.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**Management's Discussion and Analysis**  
**For the fiscal year ended June 30, 2023**

**HINSDALE COUNTY SCHOOL DISTRICT RE-1 - Net Position**

		Activities 2023	Activities 2022
<b>Assets</b>			
	Current and Other Assets	\$ 2,006,003	1,853,578
	Capital Assets	<u>14,503,318</u>	<u>14,840,523</u>
	Total Assets	16,509,321	16,694,101
	Deferred outflows of Resources	552,603	435,488
<b>Liabilities</b>			
	Long-Term Debt	3,813,146	4,149,905
	Pension Liabilities	2,381,926	1,923,225
	Other Liabilities	<u>241,183</u>	<u>181,745</u>
	Total Liabilities	6,616,032	6,254,875
	Deferred inflows of resources	530,127	777,522
<b>Net Position</b>			
	Net investment in capital assets	10,530,172	10,690,618
	Restricted	399,982	357,565
	Unrestricted	<u>(1,024,390)</u>	<u>(950,449)</u>
	Total Net Position	9,915,764	10,097,192

A portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

Reporting the increase in net pension liability cost the district \$2,381,926 in net position. This was slightly offset by the increases in net investment and the decrease in long-term debt.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**Management's Discussion and Analysis**  
**For the fiscal year ended June 30, 2023**

**HINSDALE COUNTY SCHOOL DISTRICT RE-1 Change in Net Position**

		Governmental Activities	Governmental Activities
		2023	2022
Revenues:			
	Program revenues:		
	Operating grants and contributions	\$ 516,227	\$ 306,438
	Charges for sales and service	17,528	53,225
	General revenue:		
	Property taxes	1,350,942	1,294,315
	State Equalization not restricted to programs	408,932	332,456
	Specific ownership taxes	122,799	101,938
	Unrestricted investment earnings	41,149	3,034
	Other restricted revenue	<u>149,167</u>	<u>228,328</u>
	Total Revenues	2,072,989	2,319,734
Expenses:			
	Instructional Services	1,504,669	749,946
	Supporting Services	1,008,710	782,424
	Nutrition services	134,352	45,340
	Interest on long-term debt	<u>140,441</u>	<u>145,341</u>
	Total Expense	2,788,172	1,723,051
Increase (decrease) in net position		(181,428)	596,683
Beginning net position		10,097,192	9,500,509
Ending net position		<u>\$ 9,915,764</u>	<u>\$ 10,097,192</u>

The district started the federal lunch program in 2018. This program was catered by a local business and began in September of that school year. With the remodel and addition to the building the Federal food service program started in the 2020/2021 school year. Breakfast was added in the 2022/2023 school year.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**Management's Discussion and Analysis**  
**For the fiscal year ended June 30, 2023**

**Capital Asset and Debt Administration**

**Capital assets** - The District's investment in capital assets for its governmental activities as of June 30, 2023 amounts to \$14,503,318 (net of accumulated depreciation). This investment in capital assets includes land and improvements such as parking lots and sidewalks, a remodel and addition to our building, a new kitchen and equipment.

**Capital Assets**  
(net of depreciation)

	Governmental <u>2023</u>	Governmental <u>2022</u>
Capital Assets not being depreciated	\$ 633,903	\$ 633,903
Buildings and building improvements	13,789,167	14,153,296
Transportation equipment	56,727	32,319
Equipment	<u>23,521</u>	<u>21,005</u>
Total	<u>\$ 14,503,318</u>	<u>\$ 14,840,523</u>

**Long-term debt.** At the end of the current fiscal year, the District had total outstanding debt of \$3,973,146 all of which represents general obligation bonds that are backed by the full faith and credit of the District.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20 percent of its total assessed valuation. The current debt limitation for the District is significantly in excess of the District's outstanding general obligation debt.

**Pension Liability**

During the year ended June 30, 2015, the District implemented GASB 68, Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27. This resulted in an increase in liabilities for the District who now shows \$2,381,926 for its share of the net pension liability for PERA at year end. During the year end June 30, 2018 the district implemented GASB 75.

**Previous and Coming Year**

The voters in Hinsdale County approved a bond in November of 2018 in the amount of \$3,950,000 in addition to a best grant of \$9,443,483 and a contribution from the school fund balance of \$151,253 for the remodel and building project. The project consisted of upgrading safety and security concerns at the existing building, a remodel and addition of classroom space, construction of a new gym and the completion of a car port for the district fleet. The start of the construction was May of 2019. RTA architects and NV5 consultants were hired to do the drawings and be the owner's representative for the project respectively. The district worked with George K. Baum for the sale of the bonds which did occur in January of 2019. The 2019/2020 school year was spent with our school under construction and the addition being built. In March 2020 with the global COVID 19 pandemic, all classes were taught virtually on-line. Construction of the building continued and staff and students started the 2020/2021 school year in person in the newly remodeled and bigger school. The 2021/2022 school year was taught all in person in the new building space. The FY21 school year saw the start of lunch service for the district, supplemented by the Federal Hot Lunch Program. The FY22 school year continued in person through the pandemic and extra cleaning and safety precautions have been implemented. The district hired a new kitchen manager and she was

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**Management's Discussion and Analysis**  
**For the fiscal year ended June 30, 2023**

able to supply for free lunches for students through the federal lunch program with contributions from the district throughout the fy22 school year. In February 2022 the District was able to purchase the local child care center building from the County. This may eventually lead to the District providing early childcare services in addition to the preschool program already in place at the district. In the 2022-2023 school year the district worked with the county and town and acquired a 12-passenger bus in exchange for two of the district suburban's. Our kitchen manager also started a federal breakfast program in addition to the lunch program started in FY22. Free breakfast and lunch were provided to all students at the district. A new boiler was bought and installed in the newly acquired Wee Care child center and painting will be done on that facility in the 2023-2024 school year. In the 2023-2024 school year the district started an elementary STEAM program for K-4 grade. This new STEAM program has been very successful and may include more options for the middle school and high school STEM program in future years.

**Requests for Information**

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

Susan Thompson  
Business Manager  
Hinsdale County School District Re-1  
Po Box 39,  
Lake City, CO 81235

## **BASIC FINANCIAL STATEMENTS**

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**

STATEMENT OF NET POSITION

June 30, 2023

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,694,341
Accounts Receivable	64,886
Taxes Receivable	246,776
Capital Assets, <i>Not Being Depreciated</i>	633,903
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>13,869,415</u>
 TOTAL ASSETS	 <u>16,509,321</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions, <i>Net of Accumulated Amortization</i>	536,539
OPEB, <i>Net of Accumulated Amortization</i>	<u>16,064</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>552,603</u>
 <b>LIABILITIES</b>	
Accounts Payable	5,855
Accrued Salaries and Benefits	140,526
Accrued Interest Payable	13,242
Unearned revenue	20,154
Noncurrent Liabilities	
Due Within One Year	160,000
Due in More Than One Year	3,813,146
Net Pension Liability	2,381,926
Net OPEB Liability	<u>81,183</u>
 TOTAL LIABILITIES	 <u>6,616,032</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions, <i>Net of Accumulated Amortization</i>	493,628
OPEB, <i>Net of Accumulated Amortization</i>	<u>36,500</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>530,128</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	10,530,172
Restricted for:	
Emergencies	72,000
Debt Service	317,828
Scholarships	20,154
Unrestricted	<u>(1,024,390)</u>
 TOTAL NET POSITION	 <u>\$ 9,915,764</u>

*See Notes to the Financial Statements.*

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2023

FUNCTIONS / PROGRAMS	EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND IN NET POSITION PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Instruction	\$ 1,504,669	\$ -	\$ 466,432	\$ (1,038,237)
Supporting Services	1,008,710	3,118	2,235	(1,003,357)
Food Services	134,352	14,410	47,560	(72,382)
Interest on Long-Term Debt	140,441	-	-	(140,441)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 2,788,172</b>	<b>\$ 17,528</b>	<b>\$ 516,227</b>	<b>(2,254,417)</b>
<b>GENERAL REVENUES</b>				
Local Property Taxes				1,350,942
Specific Ownership Taxes				122,799
State Equalization				408,932
Investment Income				41,149
Other				149,167
<b>TOTAL GENERAL REVENUES</b>				<b>2,072,989</b>
<b>CHANGE IN NET POSITION</b>				<b>(181,428)</b>
<b>NET POSITION, Beginning</b>				<b>10,097,192</b>
<b>NET POSITION, Ending</b>				<b>\$ 9,915,764</b>

See Notes to the Financial Statements.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2023

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>NONMAJOR FOOD SERVICE FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>				
Cash and Investments	\$ 1,420,414	\$ 273,610	\$ 317	\$ 1,694,341
Accounts Receivable	64,886	-	-	64,886
Taxes Receivable	189,316	57,460	-	246,776
<b>TOTAL ASSETS</b>	<u><u>\$ 1,674,616</u></u>	<u><u>\$ 331,070</u></u>	<u><u>\$ 317</u></u>	<u><u>\$ 2,006,003</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 5,855	\$ -	\$ -	\$ 5,855
Accrued Salaries and Benefits	140,526	-	-	140,526
Unearned Revenue	20,154	-	-	20,154
<b>TOTAL LIABILITIES</b>	<u>166,535</u>	<u>-</u>	<u>-</u>	<u>166,535</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes	48,837	14,823	-	63,660
<b>FUND BALANCES</b>				
Restricted for:				
Emergencies	72,000	-	-	72,000
Scholarships	20,154	-	-	20,154
Debt Service	-	316,247	-	316,247
Assigned to:				
Contingencies	236,455	-	-	236,455
Student Activities	19,713	-	-	19,713
Food Services	-	-	317	317
Unassigned	1,110,922	-	-	1,110,922
<b>TOTAL FUND BALANCES</b>	<u>1,459,244</u>	<u>316,247</u>	<u>317</u>	<u>1,775,808</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 1,674,616</u></u>	<u><u>\$ 331,070</u></u>	<u><u>\$ 317</u></u>	<u><u>\$ 2,006,003</u></u>

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2023

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Total Fund Balances of Governmental Funds	\$	1,775,808
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		14,503,318
Long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes earned but not available as current financial resources.		63,660
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:		
Accrued Interest Payable		(13,242)
Bonds Payable		(3,973,146)
Net Pension Liability		(2,381,926)
Pension-Related Deferred Outflows of Resources		536,539
Pension-Related Deferred Inflows of Resources		(493,628)
Net OPEB Liability		(81,183)
OPEB-Related Deferred Outflows of Resources		16,064
OPEB-Related Deferred Inflows of Resources		<u>(36,500)</u>
Total Net Position of Governmental Activities	\$	<u><u>9,915,764</u></u>

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2023

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>NONMAJOR FOOD SERVICE FUND</u>	<u>TOTAL</u>
<b>REVENUES</b>				
Local Sources	\$ 1,294,146	\$ 346,582	\$ 14,410	\$ 1,655,138
State Sources	717,411	-	2,832	720,243
Federal Sources	160,188	-	44,728	204,916
<b>TOTAL REVENUES</b>	<u>2,171,745</u>	<u>346,582</u>	<u>61,970</u>	<u>2,580,297</u>
<b>EXPENDITURES</b>				
Current				
Instruction	1,022,953	-	-	1,022,953
Supporting Services	983,791	-	-	983,791
Food Services	-	-	128,407	128,407
Debt Service				
Principal	-	155,000	-	155,000
Interest and Fiscal Charges	-	162,900	-	162,900
<b>TOTAL EXPENDITURES</b>	<u>2,006,744</u>	<u>317,900</u>	<u>128,407</u>	<u>2,453,051</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>165,001</u>	<u>28,682</u>	<u>(66,437)</u>	<u>127,246</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	38,500	38,500
Transfers Out	(38,500)	-	-	(38,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(38,500)</u>	<u>-</u>	<u>38,500</u>	<u>-</u>
<b>CHANGE IN FUND BALANCES</b>	126,501	28,682	(27,937)	127,246
<b>FUND BALANCES, Beginning</b>	<u>1,332,743</u>	<u>287,565</u>	<u>28,254</u>	<u>1,648,562</u>
<b>FUND BALANCES, Ending</b>	<u>\$ 1,459,244</u>	<u>\$ 316,247</u>	<u>\$ 317</u>	<u>\$ 1,775,808</u>

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2023

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Net Change in Fund Balances of Governmental Funds	\$	127,246
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as:		
Depreciation Expense		(379,914)
Capital Outlay		42,709
Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents the change in deferred property taxes.		
		26,447
The repayment of long-term debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		
		155,000
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This is the effect of these differences in the treatment of long-term debt and related items:		
Amortization of Bond Premiums		21,759
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the changes in the following:		
Accrued Interest Payable		700
Net Pension Liability		(547,453)
Pension-Related Deferred Outflows of Resources		108,154
Pension-Related Deferred Inflows of Resources		249,505
Net OPEB Liability		7,569
OPEB-Related Deferred Outflows of Resources		8,961
OPEB-Related Deferred Inflows of Resources		(2,111)
		(181,428)
Change in Net Position of Governmental Activities	\$	(181,428)

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 1: Summary of Significant Accounting Policies**

The accounting policies of the Hinsdale County School District RE-1 (the District) conform to generally accepted accounting principles applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the District's more significant policies.

**Reporting Entity**

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the District.

The financial statements of the District do not include any separately administered organizations.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these financial statements. *Governmental activities*, which are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental funds. Major and non-major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

In the fund financial statements, the District reports the following major governmental funds:

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

The *Debt Service Fund* is used to account for the proceeds of specific revenue sources that are legally restricted for the payment of general obligation debt.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current year. The District considers all other revenues to be available if they are collected within 180 days of the end of the current year.

Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

**Assets, Liabilities and Fund Balances / Net Position**

*Cash and Investments* – The District uses separate bank accounts for each fund and for individual programs within the General Fund. Investments are reported at fair value.

*Receivables* - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied for the current year but not received at year end are reported as taxes receivable and are presented net of an allowance for uncollectible taxes.

*Interfund Receivables and Payables* - Certain transactions between individual funds result in receivables and payables, which are classified on the balance sheet as *interfund receivables* and *interfund payables*.

*Capital Assets* - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2023

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities and Fund Balances / Net Position (Continued)**

Land Improvements	15 years
Buildings and Building Improvements	40 years
Vehicles	10 years
Equipment	5 years

*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, are reported as a liability in the financial statements.

*Deferred Inflows of Resources* - Deferred inflows of resources in the governmental fund financial statements include property taxes earned but not available as current financial resources.

*Long-Term Debt* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the effective interest method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Debt issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

*Compensated Absences* – The District’s professional staff generally work on a contract basis that provides for an agreed number of working days each year. There is no specific provision in the personnel policies for paid vacation days. The personnel policies detail several circumstances requiring leaves of absence including sick leave, personal leave, emergency leave, family illness and termination. The District has no liability for such absences at June 30, 2023.

*Pensions* - The District participates in the School Division Trust Fund (SDTF), 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, and additions to and deductions from the SDTF’s fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

*Postemployment Benefits Other Than Pensions (OPEB)* - The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan 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, and additions to and deductions from the HCTF’s fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2023

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities and Fund Balances / Net Position (Continued)**

Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

*Net Position/Fund Balances* - In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. In the fund financial statements, governmental funds report committed fund balances when the Board of Education formally commits resources for a specific purpose through passage of a resolution. The Board of Education has delegated to the Superintendent and their designee the authority to assign fund balances to be used for specific purposes.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, District policy requires restricted fund balance to be used first, followed by committed, assigned, and unassigned balances.

**Property Taxes**

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full on April 30, or in two installments on February 28 and June 15. The County Treasurer’s Office collects property taxes and remits to the District on a monthly basis. When taxes become delinquent, the property is sold on the tax sale date.

**NOTE 2: Cash and Investments**

At June 30, 2023, the District had the following cash and investments:

Deposits	\$ 387,716
Investments	1,306,625
	1,306,625
Total	\$ 1,694,341

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2023, the District had bank deposits of \$181,602 collateralized with securities held by the financial institution’s agent but not in the District’s name.

**Investments**

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 2: Cash and Investments (Continued)**

**Investments (Continued)**

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

*Fair Value Measurements* - At June 30, 2023, the District's investments in the local government investment pool reported at the net asset value per share.

*Interest Rate Risk* - State statutes generally limit investments to an original maturity of five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations (NRSROs).

*Concentration of Credit Risk* - State statutes do not limit the amount the District may invest in a single issuer of investment securities, except for corporate securities.

*Local Government Investment Pools* - At June 30, 2023, the District had \$273,610 invested in the Colorado Surplus Asset Fund Trust (CSAFE) and \$1,033,015 invested in the Colorado Local Government Liquid Asset Trust (ColoTrust), investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pools. The Pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The Pools are reported at the net asset value per share, with each share valued at \$1. The Pools are rated AAAM by Standard and Poor's. Investments of the Pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**NOTE 3: Interfund Balances and Transfers**

During the fiscal year ended June 30, 2023, the General Fund transferred \$38,500 to the Food Service Fund to subsidize food and labor costs.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 4: Capital Assets**

Capital asset activity for the year ended June 30, 2023, is summarized below.

	Balance 6/30/2022	Additions	Deletions	Balance 6/30/2023
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 633,903	\$ -	\$ -	\$ 633,903
Capital Assets, Being Depreciated:				
Buildings and Improvements	15,004,024	9,115	-	15,013,139
Equipment	34,275	5,244	-	39,519
Transportation Equipment	204,906	28,350	13,900	219,356
Total Capital Assets, Being Depreciated	<u>15,243,205</u>	<u>42,709</u>	<u>13,900</u>	<u>15,272,014</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(850,728)	(373,244)	-	(1,223,972)
Equipment	(13,270)	(2,728)	-	(15,998)
Transportation Equipment	(172,587)	(3,942)	(13,900)	(162,629)
Total Accumulated Depreciation	<u>(1,036,585)</u>	<u>(379,914)</u>	<u>(13,900)</u>	<u>(1,402,599)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,206,620</u>	<u>(337,205)</u>	<u>-</u>	<u>13,869,415</u>
Total Capital Assets, Governmental Activities, Net	<u>\$ 14,840,523</u>	<u>\$ (337,205)</u>	<u>\$ -</u>	<u>\$ 14,503,318</u>

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

Instruction	\$ 375,972
Supporting Services	<u>3,942</u>
Total	<u>\$ 379,914</u>

**NOTE 5: Long-Term Debt**

Following is a summary of long-term debt transactions for the year ended June 30, 2023.

	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023	Due in One Year
<b>Governmental Activities</b>					
2016 Building Loan	\$ 3,780,000	\$ -	\$ (155,000)	\$ 3,625,000	\$ 160,000
Loan Premium	369,905	-	(21,759)	348,146	-
Total	<u>\$ 4,149,905</u>	<u>\$ -</u>	<u>\$ (176,759)</u>	<u>\$ 3,973,146</u>	<u>\$ 160,000</u>

In 2019, the District issued \$3,950,000 of General Obligation Bonds, Series 2019, in the amount of \$3,950,000 to build a gymnasium and additional classroom and administration space. The bonds were sold at a premium of \$435,182. Principal payments are due annually on December 1, through 2023. Interest payments are due semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup>, with interest accruing at rates ranging from 4% to 5% per annum. The full faith and credit of the District is pledged for the payment of the principal and interest on these bonds with ad valorem taxes on all of the taxable property in the District.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 5: Long-Term Debt (Continued)**

Bond payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 160,000	\$ 155,700	\$ 315,700
2025	175,000	149,000	324,000
2026	175,000	142,000	317,000
2027	180,000	134,900	314,900
2028	190,000	127,500	317,500
2029-2033	1,075,000	497,900	1,572,900
2034-2038	1,365,000	207,250	1,572,250
2039	305,000	6,100	311,100
<b>Total</b>	<b>\$ 3,625,000</b>	<b>\$ 1,420,350</b>	<b>\$ 5,045,350</b>

**NOTE 6: Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self Insurance Pool for all risks of loss except workers compensation, for which it utilizes a commercial insurance carrier.

The Colorado School Districts Self Insurance Pool (CSDSIP) operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The CSDSIP is administered by a governing board. The District pays an annual premium to the CSDSIP for various types of property and liability insurance coverage. The CSDSIP's agreement provides that the CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP.

**NOTE 7: Defined Benefit Pension Plan**

**General Information**

*Plan Description* - The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the District participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available annual comprehensive financial report that includes information on the SDTF. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided as of December 31, 2022* - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 7: Defined Benefit Pension Plan (Continued)**

**General Information (Continued)**

The retirement benefit is the greater of the a) highest average salary over five years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary, or the amount allowed by applicable federal regulations.

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 CRS Subject to the automatic adjustment provision (AAP) under CRS § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, 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). The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in CRS § 24-51-413. Disability benefits are available for eligible employees once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Disability benefits are available for eligible employees once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

*Contributions provisions as of June 30, 2023* - The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees was 11% for the period from July 1, 2022, through June 30, 2023. The District's contribution rate for the fiscal year was 21.40% of covered salaries. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (Note 8). The District's contributions to the SDTF for the year ended June 30, 2023, were \$208,868, equal to the required contributions.

As specified in C.R.S. § 24-51-414, the State of Colorado 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 SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, 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, upon enactment. July 1, 2023, payment is reduced by \$190 million to \$35 million. 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, for a total of approximately \$49.5 million to be contributed July 1, 2023. The State is considered a nonemployer contributing entity.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 7: Defined Benefit Pension Plan (Continued)**

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

<b>District's proportionate share of the net pension liability</b>	<b>\$ 2,381,926</b>
<b>State's proportionate share of the net pension liability associated with the District</b>	<b>694,117</b>
	<b>694,117</b>
<b>Total</b>	<b>\$ 3,076,043</b>

The net pension liability was measured at December 31, 2022, and the total pension liability 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 total pension liability to December 31, 2022.

The District's proportion of the net pension liability was based on the District's contributions to the SDTF for the calendar year ended December 31, 2022, relative to the contributions of all participating employers and the state as a nonemployer contributing entity. At December 31, 2022, the District's proportion was 0.0130807008%, which was a decrease of 0.0026829416% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$252,327 and a revenue of (\$59,190) representing 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Differences between expected and actual experience</b>	<b>\$ 22,541</b>	<b>\$ -</b>
<b>Changes of assumptions and other inputs</b>	<b>42,192</b>	<b>-</b>
<b>Net difference between projected and actual earnings on plan investments</b>	<b>319,980</b>	<b>-</b>
<b>Changes in proportion</b>	<b>48,100</b>	<b>493,628</b>
<b>Contributions subsequent to the measurement date</b>	<b>103,726</b>	<b>-</b>
<b>Total</b>	<b>\$ 536,539</b>	<b>\$ 493,628</b>

District contributions subsequent to the measurement date of \$103,726 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 7: Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Year Ended June 30,

2024	\$ (155,522)
2025	(140,418)
2026	49,004
2027	186,121
	186,121
Total	\$ (60,815)

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2021, determined the total pension liability using the following 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 plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/07	
thereafter, compounded annually	1.00%
Hired after 12/31/07	ad hoc

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: 1) 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 and 2) 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: 1) 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 and 2) 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.

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.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 7: Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

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

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

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

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

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

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

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

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 7: Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

- District contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan participants were used to reduce the estimated amount of total service costs for future plan members.
- District contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. District 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 District contributions reflect reductions for the funding of the annual increase reserve and retiree health care benefits. For future plan members, District 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, commencing July 1, 2018, that is proportioned between the PERA Division Trust Funds, including SDTF, based upon the covered payroll. The annual direct distribution ceases when all PERA 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 direct distribution, a warrant to PERA in the amount of \$380 million. The July 1, 2023, direct distribution is reduced by \$190 million to \$35 million. The July 1, 2024, direct distribution will not be reduced from \$225 million due to PERA's negative investment return in 2022.
- District contributions and the amount of total service costs for future plan participants were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan participant growth rate.
- The annual increase reserve balance was excluded from the initial fund net position, as, per statute, annual increase reserve amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. Annual increase reserve transfers to the fiduciary net position and the subsequent annual increase reserve benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2023

**NOTE 7: Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

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

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as the District’s proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, as follows:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
<b>Proportionate share of the net pension liability</b>	<b>\$ 3,117,121</b>	<b>\$ 2,381,926</b>	<b>\$ 1,767,962</b>

*Pension Plan Fiduciary Net Position* - Detailed information about the SDTF’s fiduciary net position is available in PERA’s separately issued annual comprehensive financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 8: Postemployment Healthcare Benefits**

**General Information**

*Plan Description* - All employees of the District are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees’ Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided* - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member’s years of service credit.

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 are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

**General Information (Continued)**

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, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced by 5% for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

*Contributions* - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the District's contributions to the School Division Trust Fund (SDTF) (See Note 7) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The District's apportionment to the HCTF for the year ended June 30, 2023, was \$10,354, equal to the required amount.

**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 net OPEB liability of \$81,183, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2022.

The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year ended December 31, 2022, relative to the contributions of all participating employers.

At December 31, 2022, the District's proportion was 0.0102924595%, which was a decrease of 0.0003494161% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$4,036). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Differences between expected and actual experience</b>	\$ 11	\$ 19,633
<b>Changes of assumptions and other inputs</b>	1,305	8,960
<b>Net difference between projected and actual earnings on plan investments</b>	4,958	-
<b>Changes in proportion</b>	4,599	7,907
<b>Contributions subsequent to the measurement date</b>	5,191	-
<b>Total</b>	<b>\$ 16,064</b>	<b>\$ 36,500</b>

District contributions subsequent to the measurement date of \$5,191 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>	
2024	\$ (10,665)
2025	(8,551)
2026	(3,159)
2027	(69)
2028	(2,699)
2029	<u>(484)</u>
Total	<u>\$ (25,627)</u>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2021, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Actuarial Cost Method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.00%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
6.5% in 2022, gradually decreasing to 4.5% in 2030	
Medicare Part A premiums:	
3.75% in 2022, gradually increasing to 4.5% in 2029	

The total OPEB liability 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 (Tri-County 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 fiduciary net position 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 to all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2023

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

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

Participant Age	Age-Related Morbidity Assumptions	
	Annual Increase	Annual Increase
	(Male)	(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%

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

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2022, valuation, the following monthly costs/premium (actual dollars) are assumed for 2023 for the PERA Benefit Structure:

Sample Age	MAPD PPO #1 with Medicare Part A for Retiree/Spouse		MAPD PPO #2 with Medicare Part A for Retiree/Spouse		MAPD HMO (Kaiser) with Medicare Part A for 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 for Retiree/Spouse		MAPD PPO #2 without Medicare Part A for Retiree/Spouse		MAPD HMO (Kaiser) without Medicare Part A for 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

The 2022 Medicare Part A premium is \$499 (actual dollars) per month. All costs are subject to the health care cost trend rates.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2023

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

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

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 total OPEB liability are summarized in the table below:

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

Mortality assumptions used in the December 31, 2021, valuation for the determination of the total pension liability as shown below, reflect generational mortality and were applied, as applicable, in the determination of the total OPEB liability for the HCTF, but developed using a headcount-weighted basis. SDTF participates in the HCTF (Note 7).

The pre-retirement mortality assumptions for the SDTF were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019. Post-retirement non-disabled mortality assumptions for the SDTF were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows: 1) 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 and 2) 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: 1) males: 97% of the rates for all ages, with generational projection using scale MP-2019 and 2) females: 105% of the rates for all ages, with generational projection using scale MP-2019. Disabled mortality assumptions for SDTF members were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8: Postemployment Healthcare Benefits (Continued)**

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

The health care costs assumptions were updated and used in the roll-forward calculation for the HCTF. Per capita health care costs as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the 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’s actuary.

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 total OPEB liability, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the result of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, valuations 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 weighing 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%	

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

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

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

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 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 fiduciary net position 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 total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the 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:

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 8: Postemployment Healthcare Benefits (Continued)**

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

	<u>1% Decrease (6.25%)</u>	<u>Current Trend Rates (7.25%)</u>	<u>1% Increase (8.25%)</u>
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	<u>\$ 78,885</u>	<u>\$ 81,183</u>	<u>\$ 83,683</u>

*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:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net OPEB liability	<u>\$ 94,115</u>	<u>\$ 81,183</u>	<u>\$ 70,122</u>

*OPEB Plan Fiduciary Net Position* - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued annual comprehensive financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 9: Commitments and Contingencies**

**Claims and Judgments**

The District participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. 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. At June 30, 2023, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

**Tabor Amendment**

In November 1992, Colorado voters passed Article X, Section 20 (the Amendment) to the State Constitution which limits state and local government taxing powers and imposes spending limits. The District is subject to the Amendment.

In November 1997, voters within the District authorized the District to collect and to expend the full revenues received by the District from any source in the current fiscal year and in each fiscal year thereafter, notwithstanding the limits of the Amendment effective January 1, 1998. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2023

**NOTE 9: Commitments and Contingencies (Continued)**

**Tabor Amendment (Continued)**

The Amendment requires the District to establish a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2023, the District's emergency reserve was reported as restricted fund balance in the General Fund, in the amount of \$72,000.

**Litigation**

The District from time to time is involved in various legal matters. In the opinion of the District's counsel, there are no pending legal issues that would have a material adverse effect on the financial condition of the District.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
Year Ended June 30, 2023

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 1,059,879	\$ 1,058,378	\$ 1,014,426	\$ (43,952)
Specific Ownership Taxes	86,970	86,970	94,692	7,722
Investment Income	2,100	26,821	32,743	5,922
Miscellaneous	50,540	54,310	152,285	97,975
State Grants	689,059	716,490	717,411	921
Federal Grants	179,753	115,026	160,188	45,162
<b>TOTAL REVENUES</b>	<b>2,068,301</b>	<b>2,057,995</b>	<b>2,171,745</b>	<b>113,750</b>
<b>EXPENDITURES</b>				
Current				
Instruction	1,044,059	1,044,432	1,022,953	21,479
Supporting Services				
Students	98,693	91,517	82,975	8,542
Instructional Staff	132,552	114,571	177,485	(62,914)
General Administration	241,052	242,978	246,850	(3,872)
School Administration	-	-	-	-
Business Services	103,766	106,278	105,002	1,276
Operations and Maintenance	247,109	281,228	280,469	759
Student Transportation	49,822	74,507	69,839	4,668
Central Support	-	-	12,878	(12,878)
Community Services	3,250	6,064	6,795	(731)
Food Service	1,350	1,791	1,498	293
Total Supporting Services	877,594	918,934	983,791	(64,857)
Capital Outlay	60,000	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,981,653</b>	<b>1,963,366</b>	<b>2,006,744</b>	<b>(43,378)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>86,648</b>	<b>94,629</b>	<b>165,001</b>	<b>70,372</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(71,200)	(48,000)	(38,500)	9,500
<b>CHANGE IN FUND BALANCE</b>	<b>15,448</b>	<b>46,629</b>	<b>126,501</b>	<b>79,872</b>
FUND BALANCE, Beginning	1,409,332	1,332,743	1,332,743	-
FUND BALANCE, Ending	<u>\$ 1,424,780</u>	<u>\$ 1,379,372</u>	<u>\$ 1,459,244</u>	<u>\$ 79,872</u>

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS**  
**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND**  
June 30, 2023

	<u>12/31/22</u>	<u>12/31/21</u>	<u>12/31/20</u>
<b>PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>			
District's Proportion of the Net Pension Liability	0.0130807008%	0.0157636424%	0.0168149060%
District's Proportionate Share of the Net Pension Liability	\$ 2,381,926	\$ 1,834,473	\$ 2,549,117
State's Proportionate Share of the Net Pension Liability Pension Liability Associated with the District	<u>694,117</u>	<u>188,670</u>	<u>-</u>
Total Proportionate Share of the Net Pension Liability	<u><u>3,076,043</u></u>	<u><u>2,023,143</u></u>	<u><u>2,549,117</u></u>
District's Covered Payroll	\$ 1,008,985	\$ 985,178	\$ 901,354
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	236%	186%	283%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75%	75%	67%
	<u>6/30/23</u>	<u>6/30/22</u>	<u>6/30/21</u>
<b>District Contributions</b>			
Statutorily Required Contribution	\$ 206,868	\$ 193,920	\$ 194,786
Contributions in Relation to the Statutorily Required Contribution	<u>(206,868)</u>	<u>(193,920)</u>	<u>\$ (194,786)</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>-</u></u>
District's Covered Payroll	\$ 1,015,050	\$ 975,452	\$ 979,805
Contributions as a Percentage of Covered Payroll	20.38%	19.88%	19.88%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented as shown above.

<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
0.0155072639%	0.0159436221%	0.0196027792%	0.0189305383%	0.0182344538%	0.0182254143%
\$ 2,316,752	\$ 2,823,146	\$ 6,338,842	\$ 5,636,353	\$ 2,788,831	2,470,156
<u>260,775</u>	<u>339,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u><u>2,577,527</u></u>	<u><u>3,162,737</u></u>	<u><u>6,338,842</u></u>	<u><u>5,636,353</u></u>	<u><u>2,788,831</u></u>	<u><u>2,470,156</u></u>
\$ 911,399	\$ 876,505	\$ 907,274	\$ 905,249	\$ 849,636	\$ 763,513
254%	322%	699%	623%	328%	324%
65%	57%	44%	43%	59%	63%
<u>06/30/20</u>	<u>06/30/19</u>	<u>06/30/18</u>	<u>06/30/17</u>	<u>06/30/16</u>	<u>06/30/15</u>
\$ 171,042	\$ 168,428	\$ 168,627	\$ 166,474	\$ 145,175	\$ 129,990
<u>\$ (171,042)</u>	<u>\$ (168,428)</u>	<u>\$ (168,627)</u>	<u>\$ (166,474)</u>	<u>\$ (145,175)</u>	<u>\$ (129,990)</u>
<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
\$ 882,565	\$ 880,436	\$ 892,819	\$ 904,888	\$ 818,556	\$ 769,760
19.38%	19.13%	18.89%	18.40%	17.74%	16.89%

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND CONTRIBUTIONS**  
**PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO HEALTH CARE TRUST FUND**  
June 30, 2023

	<u>12/31/22</u>	<u>12/31/21</u>	<u>12/31/20</u>
<b>PROPORTIONATE SHARE OF THE NET OPEB LIABILITY</b>			
District's Proportion of the Net OPEB Liability	0.1054651055%	0.0102924595%	0.0098556681%
District's Proportionate Share of the Net OPEB Liability	\$ 81,183	\$ 88,752	\$ 93,651
District's Covered Payroll	\$ 1,008,985	\$ 985,178	\$ 901,354
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	8%	9%	10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39%	39%	33%
	<u>6/30/23</u>	<u>6/30/22</u>	<u>6/30/21</u>
<b>District's Contributions</b>			
Statutorily Required Contribution	\$ 10,354	\$ 9,950	\$ 9,994
Contributions in Relation to the Statutorily Required Contribution	<u>(10,354)</u>	<u>(9,950)</u>	<u>(9,994)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 1,015,050	\$ 975,452	\$ 979,805
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>
0.0101361359%	0.0103634338%	0.0111384768%
\$ 113,930	\$ 140,999	\$ 144,756
\$ 911,399	\$ 876,505	\$ 904,274
13%	16%	16%
24%	17%	18%
<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
\$ 9,002	\$ 8,980	\$ 9,107
<u>(9,002)</u>	<u>(8,980)</u>	<u>(9,107)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 882,565	\$ 880,436	\$ 892,818
1.02%	1.02%	1.02%

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2023

**NOTE 1: Stewardship, Compliance, and Accountability**

**Budgetary Information**

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The District adheres to the following procedures to establish the budgetary information reflected in the financial statements.

- Management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the School Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budget amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All budget appropriations lapse at fiscal year-end.

**Budget Compliance**

At June 30, 2023, the District's Food Service Fund actual expenditures exceeded budgeted appropriations by \$5,270. This may be a violation of state statutes.

**NOTE 2: Schedule of Proportionate Share of the Net OPEB Liability and Contributions**

**Changes in Assumptions and Other Inputs**

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 total OPEB liability, 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.

## **SUPPLEMENTARY INFORMATION**

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOOD SERVICE FUND**  
Year Ended June 30, 2023

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
<b>REVENUES</b>				
Local Sources				
Fees	\$ 3,600	\$ 2,950	\$ 3,261	\$ 311
Miscellaneous	3,000	7,982	11,149	3,167
State Grants	702	250	2,832	2,582
Federal Grants	12,500	38,684	44,728	6,044
<b>TOTAL REVENUES</b>	<u>19,802</u>	<u>49,866</u>	<u>61,970</u>	<u>12,104</u>
<b>EXPENDITURES</b>				
Current				
Salaries	34,592	30,771	32,416	(1,645)
Benefits	19,136	17,862	19,849	(1,987)
Purchased Services	850	2,267	2,284	(17)
Supplies and Materials	40,000	66,637	68,614	(1,977)
Other	2,200	-	-	-
Capital Outlay	1,500	5,600	5,244	356
<b>TOTAL EXPENDITURES</b>	<u>98,278</u>	<u>123,137</u>	<u>128,407</u>	<u>(5,270)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(78,476)</u>	<u>(73,271)</u>	<u>(66,437)</u>	<u>6,834</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	71,200	48,000	38,500	(9,500)
<b>CHANGE IN FUND BALANCE</b>	<u>(7,276)</u>	<u>(25,271)</u>	<u>(27,937)</u>	<u>(2,666)</u>
FUND BALANCE, Beginning	<u>7,784</u>	<u>28,254</u>	<u>28,254</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 508</u>	<u>\$ 2,983</u>	<u>\$ 317</u>	<u>\$ (2,666)</u>

**HINSDALE COUNTY SCHOOL DISTRICT RE-1**  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**  
Year Ended June 30, 2023

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 338,000	\$ 338,450	\$ 338,176	\$ (274)
Investment Income	100	7,150	8,406	1,256
TOTAL REVENUES	<u>338,100</u>	<u>345,600</u>	<u>346,582</u>	<u>982</u>
EXPENDITURES				
Debt Service				
Principal	155,000	155,000	155,000	-
Interest	162,000	162,000	162,000	-
Fees and Charges	1,100	1,100	900	200
TOTAL EXPENDITURES	<u>318,100</u>	<u>318,100</u>	<u>317,900</u>	<u>200</u>
CHANGE IN FUND BALANCE	20,000	27,500	28,682	1,182
FUND BALANCE, Beginning	<u>187,798</u>	<u>287,565</u>	<u>287,565</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 207,798</u>	<u>\$ 315,065</u>	<u>\$ 316,247</u>	<u>\$ 1,182</u>

## **COMPLIANCE SECTION**

## **STATE COMPLIANCE**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 1380 - Hinsdale County RE 1  
 Fiscal Year 2022-23  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>						
10 General Fund	1,332,742		2,133,244	2,006,743		1,459,243
18 Risk Mgmt Sub-Fund of General Fund	0		0	0		0
19 Colorado Preschool Program Fund	0		0	0		0
<b>Sub-Total</b>	<b>1,332,742</b>		<b>2,133,244</b>	<b>2,006,743</b>		<b>1,459,243</b>
11 Charter School Fund	0		0	0		0
20.26-29 Special Revenue Fund	0		0	0		0
06 Supplemental Cap Const, Tech, Main, Fund	0		0	0		0
07 Total Program Reserve Fund	0		0	0		0
21 Food Service Spec Revenue Fund	28,255		100,470	128,408		317
22 Govt Designated-Purpose Grants Fund	0		0	0		0
23 Pupil Activity Special Revenue Fund	0		0	0		0
25 Transportation Fund	0		0	0		0
31 Bond Redemption Fund	287,564		346,582	317,900		316,246
39 Certificate of Participation (COP) Debt Service Fund	0		0	0		0
41 Building Fund	0		0	0		0
42 Special Building Fund	0		0	0		0
43 Capital Reserve Capital Projects Fund	0		0	0		0
46 Supplemental Cap Const, Tech, Main Fund	0		0	0		0
<b>Totals</b>	<b>1,648,561</b>		<b>2,580,296</b>	<b>2,453,051</b>		<b>1,775,807</b>
<b>Proprietary</b>						
50 Other Enterprise Funds	0		0	0		0
64 (63) Risk-Related Activity Fund	0		0	0		0
60.65-69 Other Internal Service Funds	0		0	0		0
<b>Totals</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>
<b>Fiduciary</b>						
70 Other Trust and Agency Funds	0		0	0		0
72 Private Purpose Trust Fund	0		0	0		0
73 Agency Fund	0		0	0		0
74 Pupil Activity Agency Fund	0		0	0		0
79 GASB 34/Permanent Fund	0		0	0		0
85 Foundations	0		0	0		0
<b>Totals</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>

FINAL

\*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your prior period adjustment is added into both your ending and beginning fund balances on this report.